AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

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Nondepartmental Witnesses

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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

MONDAY, APRIL 19, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:50 a.m. in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senator Cochran.

NONDEPARTMENTAL WITNESSES

CONGRESSIONAL WITNESSES

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. The subcommittee will come to order.

We are very happy this morning to welcome all of you as we continue our hearings, receiving testimony from congressional and nongovernmental witnesses who have special interests or concerns with respect to programs that come within the jurisdiction of this subcommittee. As you know, we have jurisdiction over funding of the Department of Agriculture, programs relating to rural development, and related agencies such as the Commodity Futures Trading Commission, the Food and Drug Administration, and others.

We are very pleased this morning to welcome all of you. We think that this aspect of our hearings plays a very important role in providing valuable information to the subcommittee. The knowledge, insights, and experiences of the witnesses who will be appearing today and tomorrow are very important in insuring that we have the advantage of a wide range of information to enable the subcommittee to make the tough decisions that will have to be made soon about the appropriate level of funding for all of these various programs.

We are, of course, in receipt of many prepared statements and supporting materials, all of which will be made a part of our permanent hearing record. I would like to encourage everyone to endeavor to summarize or to comment on the highlights of these prepared statements, because we do have an extensive list of public witnesses to hear from today and tomorrow. So a limited amount of time is available to us.

We might point out at this time that the subcommittee cannot receive any copyrighted materials for publication, unless arrangements have been made in advance by the witness to obtain the permission of the copyright owner that those materials be included in the subcommittee hearing transcript. This notice is being given to protect copyright owners, as well as the subcommittee and witnesses.

INTRODUCTION OF WITNESS

I am delighted that our first witness this morning is Senator Howell Heflin of the great and sovereign State of Alabama. He is an outstanding Member of the Senate who has really been very helpful to this Senator and this subcommittee, as we have tried to analyze the needs for funding in these programs, particularly forestry and other programs that are of particular interest to him and to us.

Welcome, Senator. You may proceed in any manner you desire.

STATEMENT OF HON. HOWELL HEFLIN, U.S. SENATOR FROM ALABAMA

PREPARED STATEMENT

Senator HEFLIN. I have a prepared statement, along with several attachments in the form of letters, that I would like to have entered in the record as a whole, and I will attempt to be brief and summarize the testimony that I give orally.

[The statement and attachments follow:]

PREPARED STATEMENT OF HOWELL T. HEFLIN

U.S. SENATOR FROM ALABAMA

MR. CHAIRMAN, I WANT TO THANK YOU FOR YOUR INVITATION TO APPEAR BEFORE THIS SUBCOMMITTEE TODAY.

I HAVE A VERY BRIEF STATEMENT INASMUCH AS I DO NOT WANT TO IMPINGE UPON THE TIME OF THE SUBCOMMITTEE'S CROWDED AGENDA AND THAT OF THE OTHER WITNESSES WHO ARE HERE TO EXPRESS THEIR VIEWS ON THE ADMINISTRATION'S BUDGET REQUEST FOR THE U.S. DEPARTMENT OF AGRICULTURE FOR THE UPCOMING FISCAL YEAR.

I WANT TO COMMEND THE MEMBERSHIP OF THE SUBCOMMITTEE FOR THEIR TIRELESS EFFORTS IN SEARCHING OUT THE FACTS ON THE SPENDING NEEDS OF AMERICAN AGRICULTURE. I SHOULD LIKE TO ESPECIALLY COMMEND THE SUBCOMMITTEE CHAIRMAN FOR THE OUTSTANDING JOB HE HAS DONE AND IS DOING TO INCREASE FARM INCOME AND TO ENRICH THE LIVES OF OUR FARMERS AND THE CITIZENS OF RURAL AMERICA.

AS I HAVE STATED TIME AND AGAIN, THE FARMERS OF AMERICA HAVE NO GREATER FRIEND THAN THAD COCHRAN OF MISSISSIPPI. IT IS MY PLEASURE TO SERVE ON THE SENATE AGRICULTURE COMMITTEE WITH SENATOR COCHRAN AND, THEREFORE, I CAN GIVE FIRST HAND TESTIMONY REGARDING HIS DEDICATION AND HARD WORK TO BRING ABOUT A BIGGER AND BETTER DAY TO THE FARMERS OF OUR NATION. I AM CONFIDENT THAT AS SENATOR COCHRAN CONTINUES TO GROW IN STATURE AND SERVICE HIS NAME WILL STAND NEAR THE TOP OF SENATORS WHO HAVE AUTHORED AND WORKED FOR MEANINGFUL FARM PROGRAMS.

ACCOMPANYING ME THIS MORNING IS THE ALABAMA STATE FORESTER, MR. C. W. "BILL" MOODY. BILL IS ONE OF THE OUTSTANDING FOREST EXPERTS IN OUR NATION. UNDER HIS LEADERSHIP AND GUIDANCE, FORESTRY HAS BECOME ONE OF THE OUTSTANDING INDUSTRIES IN OUR STATE AND WE OF ALABAMA FEEL WE ARE MOST FORTUNATE TO HAVE BILL AT THE HELM OF OUR FORESTRY PROGRAMS.

BOTH BILL AND I WISH TO ADDRESS OURSELVES TO CONTINUED FUNDING FOR THE FORESTRY INCENTIVES PROGRAM. I AM SORELY DISTRESSED THAT THE FUNDING FOR THE FIP IS ELIMINATED IN THE PRESIDENT'S BUDGET AND TO MERGE FORESTRY COST-SHARING AS A PART OF THE AGRICULTURAL CONSERVATION PROGRAM. AS IF THAT WERE NOT BAD ENOUGH, THE BUDGET ALSO PROPOSES TO REDUCE ACP FUNDING FROM $190 MILLION IN THE CURRENT FISCAL YEAR TO $56 MILLION IN THE NEXT FISCAL YEAR. OBVIOUSLY, IF THIS RECOMMENDATION IS ACCEPTED BY THE CONGRESS, THE FORESTRY INCENTIVES PROGRAM, AS WE KNOW IT, WOULD BECOME A THING OF THE PAST.

AS THE CHAIRMAN WILL RECALL, HE ACCEPTED MY AMENDMENT TO THE AGRICULTURE MONEY BILL ON THE SENATE FLOOR LAST YEAR TO RESTORE FUNDING FOR THE FIP TO $12.5 MILLION, WHICH WAS THE FUNDING LEVEL FOR THE PREVIOUS FISCAL YEAR. I WOULD HOPE THAT THIS FIGURE WOULD AGAIN BE APPROVED BY THE SUBCOMMITTEE AS A SEPARATE LINE ITEM IN THE AGRICULTURE MONEY BILL FOR THE 1983 FISCAL YEAR.

THE FUNDS I AM REQUESTING FOR THE FORESTRY INCENTIVES PROGRAM ARE AN EXTREMELY MODEST AMOUNT, EVEN SKIMPY WHEN VIEWED IN THE LIGHT OF THE OVERALL BUDGET FIGURE OF $23.5 BILLION FOR USDA PROGRAMS FOR THE NEXT FISCAL YEAR.

I KNOW THERE IS SOME DOUBT IN SOME QUARTERS REGARDING AS TO BOTH THE EFFICIENCY AND EFFECTIVENESS OF THIS PROGRAM AS WELL AS THE BASIC PHILOSOPHY UNDERLYING THE PROGRAM.

ANY PROGRAM OF THIS NATURE MUST BE CONSIDERED IN THE CONTEXT OF A TOTAL AND COMPREHENSIVE NATIONAL TIMBER POLICY. THIS IS SO BECAUSE WOOD IS SO BASIC TO OUR ECONOMY. ALTHOUGH WE ARE NOW IN A PERIOD OF TIMBER SURPLUS DUE TO A DEPRESSED ECONOMY, THE REASONS FOR ENACTING THE FORESTRY INCENTIVES PROGRAM REMAIN THE SAME, NAMELY, TO PROTECT FUTURE GENERATIONS FROM WOOD SHORTAGES AND TO PROVIDE THEM WITH AMPLE SUPPLIES OF WOOD PRODUCTS FOR HOME AND INDUSTRIAL USE.

GOVERNMENT AND PRIVATE SURVEYS REVEAL THAT THE GREATEST OPPORTUNITY FOR IMPROVED FOREST PRODUCTIVITY LIES IN THE 58 PERCENT OF COMMERICAL FOREST LAND IN OUR NATION WHICH IS IN THE NONINDUSTRIAL PRIVATE FOREST OWNERSHIPS. THESE ARE THE LANDS AT WHICH THE FORESTRY INCENTIVES PROGRAM IS AIMED. WHEN IT WAS REALIZED BY THE CONGRESS THAT A MAJORITY OF THESE PRIVATE FOREST LANDOWNERS DID NOT HAVE THE MEANS TO MAKE THE LONG-TERM INVESTMENT ASSOCIATED WITH TIMBER GROWTH AND PRODUCTION, THE CONGRESS ENACTED THE PROGRAM IN THE PUBLIC INTEREST.

I HAD THE PRIVILEGE OF SPEAKING TO SOME 700 MEMBERS OF THE ALABAMA FOREST PRODUCT INDUSTRY ON LAST FRIDAY AND I CAN TELL YOU

THAT ALABAMA FOREST LANDOWNERS ENTHUSATICALLY SUPPORT THE FORESTRY INCENTIVES PROGRAM. THEY ALSO REQUESTED ME TO CONVEY TO THE SUB-COMMITTEE THEIR DEEP INTEREST IN ADEQUATE FUNDING FOR THE FOREST PEST MANAGEMENT, THE RURAL FIRE CONTROL, THE RURUAL COMMUNITY FIRE CONTROL AND THE RURAL FORESTRY ASSISTANCE PROGRAMS. THEY FEEL -- AND I AGREE -- THAT THESE PROGRAMS MUST CONTINUE AS A PART OF THE TOTAL EFFORT TO GUARD AGAINST THE PREDICTED TIMBER SHORTFALL IF PRESENT LEVELS OF FOREST PRODUCTIVITY ARE NOT INCREASED.

I SHOULD LIKE TO TOUCH BRIEFLY UPON FUNDS FOR THE BRUCELLOSIS CONTROL PROGRAM. FRANKLY, IT IS A MYSTERY TO ME, MR. CHAIRMAN, HOW THE DEPARTMENT OF AGRICULTURE COULD REQUEST A NOTICEABLE INCREASE IN FUNDS FOR THIS PROGRAM LAST YEAR AND THEN COME TO THE CONGRESS THIS YEAR REQUESTING THAT THE FUNDING BE SLASHED BY A THIRD AND, IN FACT, BE PHASED OUT OVER THE NEXT TWO YEARS.

A REVIEW OF THE TESTIMONY GIVEN BY DEPARTMENTAL SPOKESMEN BEFORE THIS SUBCOMMITTEE LAST YEAR, IT WAS REVEALED THAT ALTHOUGH THE BRUCELLOSIS CONTROL IS MAKING GREAT PROGRESS, THE FINAL GOAL OF BRUCELLOSIS ERADICATION IS STILL 12 TO 18 YEARS AWAY.

THE BRUCELLOSIS CONTROL PROGRAM ENJOYS GOOD SUPPORT IN ALABAMA AND THE FARMERS AND CATTLEMEN OF MY STATE WANT TO CONTINUE FUNDING THE PROGRAM AT THE LEVELS NEEDED TO REACH THE LONG-HOPED FOR GOAL OF COMPLETE ERADICATION. I HAVE WITH ME LETTERS I HAVE RECEIVED FROM THE COMMISSIONER MCMILLAN LANE OF THE ALABAMA DEPARTMENT OF AGRICULTURE AND INDUSTRIES AND THE CHIEF EXECUTIVE OFFICER OF THE ALABAMA CATTLEM~~A~~EN'S ASSOCIATION, MR. E. H. WILSON, URGING THE RESTORATION OF FUNDING FOR THE BRUCELLOSIS CONTROL PROGRAM. I SHOULD LIKE TO ENTER THEIR LETTERS INTO THE RECORD OF THIS HEARING.

I KNOW OF THE CHAIRMAN'S DEEP AND PARTICULAR INTEREST IN THIS PROGRAM BECAUSE OF THE HIGH INCIDENCE OF THE DISEASE IN HIS STATE AND I KNOW HE CAN BE COUNTED UPON BOTH AT THE COMMITTEE LEVEL AND IN THE FULL SENATE TO HELP GET THE FUNDS NEEDED TO MAKE TOTAL ERADICATION OF BRUCELLOSIS A REALITY. SENATOR COCHRAN, YOU WILL HAVE MY FULL SUPPORT AND COOPERATION IN THIS EFFORT.

BECAUSE OF TIME CONSTRAINTS, I HAVE ADDRESSED MYSELF ONLY TO THE FUNDING NEEDS OF THE BRUCELLOSIS CONTROL PROGRAM AND OUR

FORESTRY PROGRAMS. I DO NOT, HOWEVER, WISH TO DETRACT ONE IOTA FROM THE IMPORTANCE OF OUR OTHER AGRICULTURAL PROGRAMS THAT MEAN SO MUCH TO THE FARMERS OF OUR NATION. I STRONGLY SUPPORT THESE PROGRAMS. SKY-HIGH INTEREST RATES, HIGHER AND HIGHER PRODUCTION COSTS AND DEPRESSED COMMODITY PRICES IMPERIL OUR ENTIRE AGRICULTURAL SYSTEM. THEY CARRY THE THREAT OF A CHAOTIC BUST WHICH WOULD PLUNGE NOT ONLY THE AMERICAN FARMER BUT OUR ENTIRE ECONOMY INTO A DEPRESSION VASTLY DEEPER AND MORE LASTING THAN THE GREAT DEPRESSION OF THE THIRTIES. IN FACT, FARM INCOME IS ALREADY AT THE DEPRESSION POINT.

ALTHOUGH MANY IN GOVERNMENT AND ELSEWHERE TRY TO DENY IT, THE VITALITY AND PROSPERITY OF AMERICAN AGRICULTURE IS STILL THE SINGLE MOST IMPORTANT FACTOR TO OUR NATION'S ECONOMIC SUCCESS. THE SIGNIFICANCE OF A PROSPEROUS AMERICAN AGRICULTURE CANNOT BE OVERESTIMATED. IT IS AN INDISPUTABLE FACT THAT WHEN OUR NATION'S LARGEST INDUSTRY -- AMERICAN AGRICULTURE -- CANNOT PAY ITS BILLS FROM CURRENT CASH FLOW, THE ENTIRE ECONOMY GOES INTO A NOSE-DIVE JUST AS WE ARE EXPERIENCING TODAY. LET THERE BE NO MISTAKE ABOUT IT, UNLESS AND UNTIL THE FARMERS OF THIS NATION BEGIN TO AGAIN ENJOY A MEASURE OF PROSPERITY, OUR ECONOMY WILL NOT BEGIN A LONG-TERM RECOVERY.

TO FORESAKE OUR FARMERS IS TO FORESAKE THE INITIATIVE AND INDEPENDENCE, AS WELL AS MORAL AND SPIRITUAL VALUES THAT HAVE PRESERVED THE VIGOR OF OUR GREAT NATION. WE MUST HAVE A FARM PROGRAM WHICH WILL MEET OUR OBLIGATIONS TO THE AMERICAN FARMER.

THANK YOU.

LETTER FROM MCMILLAN LANE

STATE OF ALABAMA
DEPARTMENT OF AGRICULTURE
AND INDUSTRIES
BEARD BUILDING
P.O. BOX 3336
MONTGOMERY, ALABAMA 36109

February 18, 1982

The Honorable Howell T. Heflin
United States Senator
3107 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Senator Heflin:

Progress is being made in Alabama's efforts to control and eradicate bovine brucellosis. During fiscal year 1981, 205,152 cattle were tested for this disease and 6,519 infected animals were revealed by this testing. During 1976, there were 244,229 cattle tested with 13,378 infected cattle being detected. This testing in 1981 revealed a 51.2 percent decrease in the number of brucellosis reactors being detected. Also, on February 1, 1982, only 324 known brucellosis-infected herds existed in Alabama's 42,000 cattle herds. A similar infected herd number of 442 herds existed on February 1, 1976. This is a reduction of 26.6 percent in infected herds from 1976 to 1982.

The drastic reduction in federal funds to support the national brucellosis eradication program, as suggested in President Reagan's 1983 budget, would totally disrupt Alabama's brucellosis activities, if passed by Congress. Alabama has worked cooperatively with USDA in developing and implementing effective brucellosis eradication procedures. These procedures have been supported with significant federal dollars. The reduction in federal funds as suggested in the President's budget request would adversely affect many of these brucellosis eradication activities.

Alabama cattlemen appreciate and support efforts to reduce spending of both state and federal tax dollars. They do not understand nor appreciate the proposed drastic reduction in federal monies for brucellosis. This sudden alteration of federal funding philosophy for disease eradication activities does not give state governments time to seek additional state monies to salvage the brucellosis eradication program nor to re-orient the cattle industry to accept more of the financial burden of the brucellosis program.

We very strongly feel that reduced funding must be complemented by a significant improvement in the efficient administration and management of brucellosis eradication activities by both state and federal personnel. Program managers must demand productivity of all employees and program managers must be given authority to terminate non-productive employees. Personnel costs and mismanagement of personnel problems are one of the most damaging factors in management of the brucellosis eradication program.

The reduction of federal monies for brucellosis eradication support will result in a total disruption of Alabama's eradication activities and will result in a re-infection of brucellosis with an accelerated cost of the disease to Alabama cattlemen.

We sincerely hope that you will support Alabama's interest and need for an adequately federal funded brucellosis budget to support an effective eradication program because of the public health significance of brucellosis, to protect the accomplishments of the current eradication efforts, and to protect the billion dollars already invested in brucellosis eradication.

Sincerely,

McMillan Lane

McMillan Lane
Commissioner

LETTER FROM E. H. WILSON

Alabama Cattlemen's Association

600 ADAMS AVENUE • P.O. BOX 1746 • MONTGOMERY, ALABAMA 36103
Phone 205/265-1867 and 265-9563

February 24, 1982

Honorable Howell T.Heflin
United States Senate
Washington, D.C.

Dear Senator Heflin:

The cattlemen of Alabama are deeply concerned that the 1983 Budget of the USDA will drastically cut funds for the State/Federal Brucellosis Eradication Program now being conducted in the state.

The 31 million dollar proposed reduction for brucellosis eradication will have a disastrous effect on our present program to eradicate this very important disease. We have worked hard to eliminate this disease and now that we are so close to the end..we just can't stop now!

Any reduction of federal funds at this time will totally disrupt our very excellent program and will cost the government much more in future years.

We support the Administration's efforts to reduce federal spending...but feel that unessential programs should be cut - not essential programs like our Brucellosis Eradication Program - which is a health hazard to humans as well as livestock.

We sincerely urge you to do all you can to save this program, and help Alabama's largest industry - livestock.

Sincerely,

Ham Wilson

E. H. Wilson
Exec.Vice Pres./Chief Exec.Officer

CONGRESSIONAL ASSISTANCE TO AMERICAN AGRICULTURE

Senator HEFLIN. I would like to commend the membership of this subcommittee for their tireless efforts in trying to search out the facts on the spending needs of American agriculture, and particularly the chairman of this committee for the outstanding job he has done and is doing to increase farm income and enrich the lives of our farmers and the citizens of rural Alabama.

As I have stated time and time again, the farmers have no greater friend than Thad Cochran of Mississippi. It is my pleasure to serve with him on the Senate Agriculture Committee, and I can give firsthand testimony regarding his dedication and hard work to bring about a bigger and better day to the farmers of our Nation. He occupies a unique position in that he is on the Agriculture Committee and on the Appropriations Committee, and as chairman of the subcommittee dealing with appropriations for agriculture, nutrition and forestry.

It seems that Mississippi somehow or another over the years has accomplished the almost impossible goal of getting on the two essential committees—the authorizing committee and the appropriations committee—that deal with a subject matter that is dear to the hearts of Mississippians. Senator Stennis was chairman of the Armed Services Committee, and he was also the chairman of the Defense Appropriations Subcommittee. I always wondered, but after I came to the Senate, the answer was clear as to why Mississippi had so many installations dealing with the military within its geographical borders. I see Senator Cochran is following in the same manner. He is on the Agriculture Committee—the authorizing committee—and is here to watch over and see that the appropriations are made in the appropriate manner to support the decisions of the authorizing committee.

I am pleased that we are here, and Alabama and Mississippi do have a lot in common. About 50 years ago, we had an entry that was made in the court records of "GM." And in every paternity case and criminal case where the defendant was missing in Alabama they would generally, after the call of the docket, enter on the docket "GM"—gone to Mississippi. [Laughter.]

INTRODUCTION OF ASSOCIATE

Accompanying me this morning is the Alabama State Forester, Mr. C. W. (Bill) Moody. Bill is one of the outstanding forest experts in our Nation, and under his leadership and guidance forestry has become one of the outstanding industries in our State. We of Alabama feel most fortunate to have Bill at the helm of our forestry program.

RURAL FIRE PROTECTION

We were talking about fire protection. I don't know whether Alabama is unique, but this morning Bill was telling me that we have 600 rural fire departments in the State that are actively interested in trying to curb forest fires and to give rural fire protection. Practically every member of these fire departments is a volunteer. The concept of volunteerism which the President is pushing has certainly been exemplified. I don't know the facts in Mississippi, but I would assume that they would be similar. The fact that this volunteerism is exemplified by so many people who are willing to give of their time to assist in many matters and the rural fire protection programs is probably the greatest example of what volunteerism can do.

RESCUE SQUADS

Another aspect, of course, is rescue squads that exist. Some people talk about volunteerism and indicate it won't work, but we have firsthand proof that it can work. And it is a matter where, with very little Federal assistance, particularly the rural fire protection, you have developed a system which is very helpful. I think one thing that has helped us is that we have been able to get a lot of surplus vehicles, and those have been used by volunteers to rework those vehicles, and they are being used in fire protection.

So I think if we are going to encourage volunteerism, here is an area. I think Bill could tell you how much money comes from the Federal Government into Alabama for volunteer fire protection, but it is basically very little. It is something, I think, that could be encouraged, and we could have a very comprehensive rural fire protection program.

FORESTRY INCENTIVES PROGRAMS

Both Bill and I wish, of course, to address ourselves to continuing the funding for the forestry incentives programs. I am sorely disappointed that the funding for FIP is eliminated as a line item in the President's budget and is being merged with the agricultural conservation program. As if that were not bad enough, the budget also proposes to reduce the ACP funding from $190 million in the current fiscal year to $56 million in the next fiscal year. Obviously if this recommendation is accepted by Congress, the forestry incentives program, as we know it, would become a thing of the past.

When we stop and think of the vastness of the timber industry and the fact that as we look toward the future, future generations have to have timber, and timber is so important in so many aspects. Just today, the paper that is being used by the shorthand expert who is typing on the stenographic machine there, that is paper that came from wood. It may well be that by cutting the forestry incentives program, 20 or 30 years down the road there will be less paper used. I think it has many other aspects that will be very foolish, and I think it is important that we endeavor to fund the forestry incentives program.

I think it is essential that FIP be kept at at least the same level. I really think this program ought to be increased, because this is really part of a total comprehensive national timber policy we ought to encourage.

Government and private surveys indicate the greatest opportunity for improved forest productivity lies in the 58 percent of commercial forestland in our Nation which is in the nonindustrial private ownerships. These are lands at which the forestry incentives program is aimed.

I had the pleasure of speaking to some 700 members of the Alabama forest products industry last Friday at a forestry festival, which was attended by a great number of people the next day. I might say this. The forestry festival that Bill Moody has put on in Alabama is one of the finest programs that I have seen. It certainly brings to the forefront of those who attend and those who read about it in the media or see it on the electronic media devices, the importance of forestry and timber to our Nation.

BRUCELLOSIS PROGRAM FUNDING

I would like to touch briefly on funds in some other programs, the brucellosis control program for one. It is a mystery to me how the Department of Agriculture could request a noticeable increase in funds for this program last year and then come to the Congress this year requesting that funding be slashed by one-third, and in fact, be phased out over the next 2 years.

In a review of testimony given by Department spokesmen before this subcommittee last year, it was revealed that, although the brucellosis program is making great progress, the final goal of brucellosis eradication is still 12 to 18 years away.

The brucellosis control program enjoys good support in Alabama, and the farmers and cattlemen in my State want to continue funding the program at the levels needed to reach the long hoped for goal of complete eradication. I have with me letters I have received from Commissioner McMillan Lane of the Alabama Department of Agriculture and Industries, and the chief executive officer of the Alabama Cattlemen's Association, Mr. E. H. Wilson, urging the restoration of funding for the brucellosis control program. I would like for these letters to be made a part of this hearing record.

[CLERK'S NOTE.—The letters appear with Senator Heflin's statement.]

Senator HEFLIN. I know of the Chairman's deep and particular interest in this program because of the high incidence of the disease in his State, and I know that he can be counted upon both at the committee level and full Senate to help get the funds needed to make total eradication of brucellosis a reality.

AMERICAN AGRICULTURE

Because of time constraints, I have addressed myself only to the funding needs of the brucellosis control program and our forestry programs. I do not, however, wish to detract one iota from the importance of our other agricultural programs that mean so much to the farmers of our Nation. I strongly support these programs. Sky-high interest rates, higher and higher production costs, depressed commodity prices imperil our entire agricultural system. They carry the threat of a chaotic bust which would plunge not only the American farmer but our entire economy into a depression vastly deeper and more lasting than the Great Depression of the 1930's. In fact, farm income is already at the depression point.

ECONOMIC VALUE OF AMERICAN AGRICULTURE

Although many in government and elsewhere try to deny it, the vitality and prosperity of American agriculture is still the single most important factor to our Nation's economic success. The significance of a prosperous American agriculture cannot be overstated. It is an indisputable fact that when our Nation's largest industry—American agriculture—cannot pay its bills from current cash flow, the entire economy goes into a nose dive just as we are experiencing today. Let there be no mistake about it. Unless and until the farmers of this Nation begin to again enjoy a measure of prosperity, our economy will not begin a long-term recovery.

To foresake our farmers is to foresake the initiative and independence, as well as moral and spiritual values that have preserved the vigor of our great Nation. We must have a farm program which meets our obligation to the American farmers.

I appreciate the opportunity to be here, and I would at this time like to introduce Mr. C. W. (Bill) Moody, the State forester of Alabama.

Senator COCHRAN. Thank you, Senator.

Mr. Moody, welcome to the subcommittee. We appreciate your being here.

ALABAMA STATE FORESTER

STATEMENT OF C. W. (BILL) MOODY, ALABAMA STATE FORESTER

FORESTRY AND FIRE PROTECTION PROGRAMS

Mr. MOODY. Thank you, Mr. Chairman, for permitting me to come here. And I would like to commend the chairman on his past activity in the area of forestry incentives, last year in particular.

I would also like to commend Senator Heflin, who I appreciate very much taking the time to come here this morning and who has done a very good job in giving an overview of rural community fire protection and forestry incentives. I will simply second his points concerning rural fire protection. We would like to see that program continue. We think it is one of the most cost-effective by Government. He mentioned that I might be able to say how much we get. We get around $50,000. But that seed money has caused us to develop a program that now has 600 communities with volunteer fire departments. We also get the excess property and recondition it. Each year we provide around 100 trucks to volunteer fire departments.

My primary comments, Mr. Chairman, will be addressed toward FIP. The chairman is familiar, I am sure, with the Resources Planning Act and its projections of how much wood we will need after the turn of the century, and the fact that wood must come from the nonindustrial private landowner, or that increase must come from them. The private landowner is not particularly interested in how much wood the Nation will need, and he is, in fact, cutting without adequately regenerating the land. In fact, in the South, we have around 7 million acres that have been cut over and not adequately regenerated. Each year we have around 600,000 additional acres joining that category of land that is cut over and not adequately regenerated.

Because of the long-term nature of the investment and because many of those small private landowners do not have the money to invest with 15 to 20 years to recover the investment, the forestry incentives program is the single most cost-effective tree-growing program for small landowners in my recollection. Since 1956, when I graduated with a bachelor's degree in forestry, I worked with the private forestry industry. I worked as a private consultant in forestry, and I worked with State agencies all the way from field-service foresters to State foresters. The forestry incentives program is the single most cost-effective program that has come along in my recollection to motivate private landowners to plant trees and do a good job. The only program equaling this in effectiveness is the soil bank program, and it was much more costly.

REFORESTATION ON PRIVATE LANDS

One of the reasons that private, small landowners have not done reforestation on their land is because they haven't been able to get the contractors. Prior to 1975, in Alabama, we had very few private contractors available to private landowners to get forestry work done. Since that time we have been able to develop quite a few because of the increased level of activity. In order to get the grasp of what this situation really is at the present time, the U.S. Forest Service and State foresters conducted a survey in the eastern half of the country, and they found from this survey that there are now 2,056 contractors available to private landowners in the 25-State survey.

Forestry incentives work comprises about 52 percent of all the work those contractors do. If the forestry incentives program is terminated, they estimate 44 percent of those 2,000 contractors will go out of business. When they go out of business, of course, they take several things with them. One is the ability of the private landowner who wants to do forestry work. Half of the work these people do is for non-FIP-related activities. So when they go out of business, that type of work will not be able to get done because they won't be there. The other thing is it will take jobs with them, and this is not a good time to take jobs, I think, particularly when you consider the nature of this particular investment.

The tree seedlings that are needed for planting next year have already been planted by the State foresters. We planted trees in Alabama. We will grow around 80 million seedlings. About 25 percent are grown to meet FIP demands. We have already had to plant them, because we can't wait until we know whether or not we have a FIP program. If FIP is terminated, we will have to plow under 25 percent of those seedlings. That is substantial, and the country won't have the seedlings to meet the needs of the future.

EVALUATION OF THE FIP PROGRAM

The next issue I will present is the result of a survey and evaluation by the Forest Service, ASCS and State foresters. There was an evaluation of the 1979 FIP program. Of the $15 million invested by the Government at a 4-percent discounted rate, there were returns to the Federal Treasury of $33 million. Now that has to do with when the landowners have higher capital gains. But direct return to the Treasury of the $15 million invested, $33 million at 4-percent discount rate.

The last point that I would make, Mr. Chairman, is that merging FIP and ACP would, in effect, kill the FIP program, as Senator Heflin so ably stated a minute ago. Let me give two reasons why it would kill the FIP program. In the first place the size of the program is so immense there would be extreme additional pressure for short-term farm and ranch practices. The first reason I guess is that the forestry incentives program would not get fair treatment, that they would then of necessity compete with the short-term practices which are much more attractive to the committees making the decision. The next reason is the ACP committees are traditionally made up of farmers and ranchers, and they have not much interest in forestry as is evidenced by the investments they make sometimes in forestry. So I think the Government needs to continue its viability and visibility in this, and it needs to continue as a separate program.

Mr. Chairman, I appreciate the opportunity of appearing here. And I appreciate again, Senator Heflin, your taking the time to be with me.

Senator COCHRAN. Mr. Moody, thank you very much for your assistance in trying to understand the practical consequences of the budget request we have before the subcommittee. I know that I have heard some of the same sentiments expressed from our Mississippi State forester, Dick Allen, who we are in touch with about some of these programs that are of interest to foresters all over the country.

I might point out that we don't have jurisdiction over programs of the Forest Service. That comes under the Interior Appropriations Subcommittee. I have the privilege of serving on that subcommittee as well. We are looking very carefully at the budget requests that have been submitted for that subcommittee. We will be having hearings, as a matter of fact, I think this week or next, and we will get into some of the details of all of our forestry programs that come under the jurisdiction of the Interior Subcommittee.

STATE INCENTIVES PROGRAM

I share some of the concerns you have expressed about the proposal to fold the forestry incentives program into the ACP program. The other day I had an opportunity to discuss that in a fair amount of detail with personnel at the Department of Agriculture so I could more fully understand exactly what they are suggesting be done, and I have some serious concerns about it. Your being here will help us very much.

Mr. MOODY. Mr. Chairman, could I commend the chairman and his State forestry incentives program. We have tried to develop such a program in Alabama over the last 3 years, but because of the economic condition we haven't been able to achieve that. Dissolution of the Federal FIP program would have much more severe consequences to Alabama, because we have not been able to achieve the State incentives program like they have in Mississippi. But Mississippi has a backlog of demand, and the country needs the investment in forestry for trading goods and products on the international market, and it is a low-cost Federal cost because of the return to the Federal Treasury.

Senator Cochran. I particularly appreciate Senator Heflin being here this morning to lead off this day of hearings. His leadership last year, as we all remember, resulted in a bigger appropriation for the forestry incentives program.

ENIGMA, GA., FIRE DEPARTMENT

In connection with that comment you made about all of the volunteer fire departments in communities in Alabama, that surely is an impressive array of statistics. I remember when I was serving in the House of Representatives, Dawson Mathis, who was a Congressman from Georgia, told a story about a small town in his State—I think it was Enigma, Ga.—that had been bothering him about helping get a truck to refurbish and use for the fire department. They needed to start a fire department. They looked all over the place and finally found some truck up near Atlanta that the Forest Service or somebody had, and so he told the mayor about it. They had to almost break the town budget, so the mayor said, to go to Atlanta and drive the truck back. They didn't get much mileage with it. They finally got it there and built a shed on the site of a hardware store, and they got into a big argument over who was going to be in charge of the keys, and who was going to be chief. Everybody wanted to be the chief. So they finally decided they would leave the keys in the truck, and when the alarm went off, the first one there would drive. Sure enough, after some period of time they had a fire. And a fellow who was one of the local characters, and who was known to sleep in the part of the store where they stored feed as luck would have it, was the first one to the truck. He had been sleeping off the activities of the night before. He got into that truck first. Before anybody could do anything about it, he had knocked down the shed, crossed the street, and gone through a picket fence. The mayor's dog was running in the street, barking at the truck and the truck ran over the mayor's dog. Anyway, they finally got it under control and threw the guy out and told them to come get this truck. It caused more trouble than they had ever had. [Laughter.]

I hope most of those have been more successful than the one Congressman Mathis told me about.

PREPARED STATEMENT

You are kind to be here and we appreciate your leading off these hearings today. We will insert your prepared statement in the record at this point.

[The statement follows:]

PREPARED STATEMENT OF C. W. MOODY

ALABAMA STATE FORESTER

Mr. Chairman, distinguished Members of the Committee. I am honored to appear here this morning with the distinguished Senior Senator from Alabama, Senator Howell Heflin. We are appearing in support of continued funding for the Forest Incentives Program.

Forestry Incentive Program, General

The Forestry Incentives Program is a Congressional initiative aimed at increased timber production on private nonindustrial forests. Under this Program the Federal Government through the State Forester shares with the landowner the cost of establishing and/or improving private nonindustrial forest lands which would otherwise not receive landowner attention.

Without joint efforts by the Federal and State Governments, these 168 million acres of privately owned forestlands will never achieve their tremendous potential.

The Resources Planning Act Draft Assessment for 1980 shows that, if current practices are continued unchanged, by the year 2000, this Nation will experience serious shortages of timber, recreation areas, clean water, wildlife habitat and many other benefits provided by productive forest land.

For example, it is predicted by the year 2030 that the annual use of softwood sawtimber will be 21 billion board feet less than would normally be used if timber supplies were adequate. To meet this shortfall, 35 million tons of concrete and 18 million tons of steel would be required. Producing these substitutes would require 8 times more energy than the production of an equivalent amount of wood, and would create substantial environmental impacts.

The present alarming trend is that the private landowner is harvesting his timber without making the necessary investments to reforest the area cutover. In the South alone about 7,000,000 acres of private land harvested since 1972 are already in this situation--cutover but not reforested--and its estimated that 600,000 more acres are added to this category each year. Because of increasing labor, equipment and energy costs many nonindustrial owners are simply unable to make the investments in reforestation without incentives to improve the investment and/or reduce the risk. Unlike other investments, the forestry investment is long-term with no return on investment until harvest. The Forestry Incentives Program was funded at a level of $15 million from 1975-1980. It is funded this year at $12.5 million. It took some time to get the Program underway but now it is moving well. Since 1974 - 2,133,000 acres have been treated. While the Program is making strides it is not making inroads on the 7,000,000 acre backlog needing treatment at the pace needed.

There is presently a significant backlog of requests for Federal cost share money by private forest landowners. We can expect requests to increase.

FIP is the Most Cost Effective Tree Growing Program on Small Privately Owned Forestland

Since my graduation in 1956 with a Bachelors Degree in Forestry, I have been employed with private forest industry, been a private consulting forester, and worked for State Forestry agencies all the way from a Field Service Forester to State Forester. During this entire time I have been working primarily with small private landowners. I can say unequivocally that the single most cost effective program at motivating private landowners to carry out needed forest practices has been the Forest Incentives Program. The only other program in my recollection which motivated landowners to the same degree was the Soil Bank Program and it was much more costly to the Government.

Forestry Contractors will be Jeopardized if FIP is Eliminated or Significantly Reduced

Local contractors fill a vital role in the on-the-ground application of the Forestry Incentives Program (FIP). Knowledge gained from past experiences, for example, at the beginning of the FIP in 1974, and the delayed funding that occurred in 1975-76, is authentic proof that it takes time to establish an adequate and viable contractor support level. Major interruptions in program funding has a severe impact on these small business enterprises, which require rather large investments for equipment and the establishment and maintenance of a labor force. These businesses cannot sustain a lengthy break in the FIP funding and still be expected to be available when once again the Program is funded in the future. With these concerns in mind, the U. S. Forest Service and the State Foresters conducted a survey in the eastern half of the Country. The following represents information provided by the State Foresters in 25 states.

State Foresters were asked to provide information relating to five questions as listed below. Their consolidated responses are shown with each question.

Question No. 1: What is the number of contractors performing forestry work under the FIP in your state?

Answer: The number is 2056 contractors in the 25 states surveyed.

Question No. 2: What percent of these contractors' work is related to FIP?

Answer: The FIP constitutes 52 percent of all forestry work performed by these 2056 contractors.

Question No. 3: How many of these contractors would go out of business if FIP was eliminated or not funded for one to three years?

Answer: Of these 2056 contractors, 44 percent (905) would go out of business.

Question No. 4: Would adequate contractors be available to reimplement FIP if it was reinstated after a discontinuation of funding, if not, how long would it take to re-establish an adequate contractor force?

Answer: Fifteen of the 25 State Foresters - representing 85 percent of the 2056 contractors - replied that inadequate contractors would be available and that at least 2 - 3 years would be required to re-establish a sufficient capability to operate a program funded at the current level.

Question No. 5: What percent of the contractors' investment is in heavy equipment versus the maintaining of a labor force?

Answer: Of these 2056 contractors, 44 percent of their investment is in heavy equipment, and 56 percent is tied up in maintaining a labor force.

These answers are somewhat qualified to the extent that all these contractors were not contacted individually. Most states keep an updated listing of qualified FIP contractors, and their Service Foresters have good knowledge of the contractors with whom they work, on a day to day basis.

If program funding was discontinued those 51 percent of the contractors with primary investment in heavy equipment would be hardest hit investment-wise. Generally, these small business enterprises are highly leveraged, and without adequate cash-flow to meet repayment schedules, many would lose their equipment. The workers employed by the some 900 contractors that would go out of business if funding was temporarily discontinued, would lose their jobs and many would be added to the unemployment rolls.

Because of the high investment required to purchase and operate equipment with which to perform site preparation and tree planting jobs, and the problems associated with recruiting, training, and maintaining a labor force, these contractors will be very hesitant to re-establish operations in the FIP if a high degree of uncertainty continues in program funding. Their demise would have implications not only to the work done under FIP but also work which they carry on as a result of being in business and available to forest landowners. Results of the above study shows that 44% of the contractors would go out of business taking with them the 48% of non FIP forestry work they currently accomplish.

Tree Seedling Programs of the States Adversely Impacted by Discontinuing FIP

Another associated problem tied to discontinued funding is Forest Tree Nursery Management. The 211 thousand acres planted in the Program in 1981 required 148 million tree seedlings. This accounts for 20-25 percent of all seedlings grown in state nurseries. If funding is discontinued for only one year most of these seedlings would be plowed under at considerable cost to the states, while at the same time, seed would not be sown to supply seedlings for the following year, even if funding was restored, causing an additional year of delay. In those states that use 2-0 planting stock, a two year delay would result after funding was restored.

FIP Grown Trees Will Return More Money to the Federal Treasury Than Federal Money Invested While Also Assuring Increased Supply of Products.

Another survey in progress by the U.S. Forest Service, ASCS, and State Foresters evaluates the 1979 FIP Program as to overall effectiveness. Preliminary findings indicate a 10% average real rate of return on investments made in Southern Pine Forest Improvement under the 1979 practice. The most significant fact which these findings project is that for the 15 million dollars spent under the Program, at a discount rate of 4% real interest, there will be an approximate return to the Federal Treasury of more than 33 million dollars.

Merging FIP with ACP Will in Effect Kill FIP

The Administration proposes a merging of FIP into a consolidated ACP Program. I strongly believe that the consequence of this move would be the death of FIP. Forest Incentives would not get fair treatment under this approach for two reasons: (1) Forestry is a long-term investment compared to the relative short time periods required for realizing benefits from the conservation practices installed under the regular ACP. This is one of the basic justifications for a separate FIP Program as provided for under current legislation. If landowners and local ASC Committee members are forced to choose between short-term versus long-term returns on investments, the short-term will win out almost exclusively. This means the FIP Program would be diminished to the point it will not serve the purpose for which it was created. (2) Another reason why forestry will not receive fair treatment under this process is simply because the county and state ASC Committees are dominated by farmer and rancher interests. There are never sufficient funds, in their view, to fund the traditional farm and ranch practices authorized under ACP. This is evident in the amount of ACP funds spent on forestry practices in recent years. Normally this ranges from only one to three percent of the ACP appropriations.

Thank you for the opportunity to appear and discuss this most important issue.

BAYLOR COLLEGE OF MEDICINE

STATEMENT OF BUFORD L. NICHOLS, JR., SCIENTIFIC DIRECTOR, USDA/ARS CHILDREN'S NUTRITION RESEARCH CENTER, BAYLOR COLLEGE OF MEDICINE AND TEXAS CHILDREN'S HOSPITAL, HOUSTON, TEX.

ACCOMPANIED BY G. GAYLE McNUTT, DIRECTOR OF COMMUNICATIONS, BAYLOR COLLEGE OF MEDICINE, HOUSTON, TEX.

PREPARED STATEMENT

Senator COCHRAN. Our next witness is Dr. Buford Nichols, who is scientific director of the Children's Nutrition Research Center, and Gayle McNutt, director of communications at Baylor College of Medicine in Houston, Tex.

We want to welcome you to the subcommittee. You may proceed.

Dr. NICHOLS. It is indeed a pleasure to be with you again this year. I want to thank the committee for its continuing support of human nutrition work and especially the Children's Nutrition Research Center.

Our complete testimony will be left for the record.

[The statement follows:]

PREPARED STATEMENT OF BUFORD L. NICHOLS, JR.

Scientific Director
USDA/ARS Children's Nutrition Research Center
At
Baylor College of Medicine and Texas Children's Hospital
Houston, Texas

OVERVIEW

November 20, 1981 marked the third anniversary of the Children's Nutrition Research Center (CNRC). The CNRC is operated through Cooperative Agreements between the Agricultural Research Service of the United States Department of Agriculture and Baylor College of Medicine. It functions within the Section of Nutrition and Gastroenterology of the Department of Pediatrics in accordance with a Memorandum of Understanding cosigned July 9, 1979 by Baylor College of Medicine, Texas Children's Hospital, the National Institute of Child Health and Human Development, and the United States Department of Agriculture (USDA).

Expansion of the CNRC is based upon a five-year projection of the priorities for research on nutrient needs of infants and pregnant or lactating women. The emphasis is on quantitative measurements of the needs for normal growth and development. Lactation Laboratory studies focus on the needs of the lactating woman and the unique way in which the needs of the infant are met by human milk. The Weaning Laboratory scientists investigate the adaptations of the infant to foods other than human milk. The gastrointestinal disturbances of the weaning period are the subject of epidemiological studies. A Pregnancy Laboratory is projected as the next major expansion of the program. The addition of this laboratory will allow an integrated approach to the study of nutritional needs for the period from conception to the end of the first year of life.

The emphasis on the quantitative measurement of the nutritional needs in a normal population has required the development of a Stable Isotope Laboratory. The use of non-radioactive isotopes as markers of nutrients permits detailed analysis of the utilization of dietary components. The scientists in the

Stable Isotope Laboratory are recognized as leaders in the application of mass spectrometric methodologies to nutritional investigations. The present emphasis is on the determination of the bioavailability of energy in the diet, the quantitation of body composition during growth, and the determination of protein needs for normal lactating women and their infants.

The scientists in the laboratories of the CNRC collaborate on multidisciplinary investigations of the special requirements of fetal and infant growth. Priorities exist for the development of further research on the expenditure of calories and the bioavailability of trace metals and vitamins.

As established by law, the scope and quality of research conducted by CNRC scientists must be reviewed by a Council of Scientific Advisors. The Council is composed of senior nutrition scientists external to the CNRC and to the institutions and agencies that support it. This group of internationally-recognized scientists has reviewed and approved the long-term plans of the CNRC. Likewise, they have reviewed regularly the quality of ongoing research and have submitted their reports to the Secretary of Agriculture.

The lack of a permanent physical facility is a factor with the potential to limit the full development of the CNRC. The other Human Nutrition Centers of the United States Department of Agriculture already are established in permanent facilities. A feasibility study of the options for a building program for the CNRC has been conducted. The Executive Committee, composed of those parties signing the Memorandum of Understanding, recommended on January 15, 1981 that a building be constructed in proximity to the Texas Children's Hospital in Houston, Texas. Funds are requested for 1983 for the detailed planning of this facility.

At this time, in our fourth year of activity, I am pleased to report success as well as growth. The scope of research has achieved the degree of focus dictated by the mission of the CNRC. The level of scientific excellence has satisfied the Council of Scientific Advisors. The productivity of the CNRC is reflected in the published and presented scientific reports. The major accomplishments, however, are evidenced in the dedication and the spirit of intellectual challenge that exist among the scientists of the CNRC. The esprit de corps reflects the dedication to excellence in the quantitative assessment of human nutrient needs.

PHYSICAL PLANT DEVELOPMENT

The space needs of the Children's Nutrition Research Center consist of 70% research, 20% human studies, and 10% administration support. Currently the CNRC is staffed by 92 part-time and full-time scientists and support personnel who are housed in 19,000 square feet of temporary space at Baylor College of Medicine, Texas Children's Hospital, and the Medical Towers, a commercial building.

The research program projection indicates that by 1985, more than 150 scientists and support personnel will be employed and will require a building of approximately 232,000 gross square feet (which includes structured parking space) at an estimated project cost of $42.3 million in 1981 dollars.

Construction of a permanent facility for the CNRC in Houston is recommended following the review of three facility site options. After reviewing the reports of the professional consultants, the Executive Committee recommended construction of a building at a site located in proximity to Texas Children's Hospital and Baylor College of Medicine as the most functional and cost-effective option.

The Houston members of the Executive Committee agreed to discuss with the Boards of Texas Children's Hosptial and Baylor College of Medicine the proposition of jointly building a laboratory facility for the CNRC and leasing it to the federal government with an option to purchase if and when Congress desires. An option of purchasing the building would require that ownership of the land and building revert to Baylor College of Medicine and Texas Children's Hospital under favorable terms if the program of the CNRC should be terminated.

LABORATORY REPORTS

A. Lactation Laboratory

The mission of this laboratory is the study of human lactation. It is based on the premise that human milk is the standard for infant feeding. In carrying out this mission it is necessary to describe the composition of human milk through all the stages of lactation, to assess the functional significance of the components of human milk, to measure maternal nutrient requirements and allowances, and to study the maternal-infant behaviors that affect the lactation process. Inherent in this mission is the measurement of nutrient needs and allowances during infancy. As lactation progresses, the concentrations of breast milk constituents undergo changes, seemingly in response to the changing growth rates of the infant. It is important to emphasize that in this context the definition of "nutrient requirements" is expanded to include functional components that traditionally are not considered nutrients. For example, various proteins in milk may protect the infant against specific bacterial infections and specific fats may protect against viral infections.

Studies are in progress in the Lactation Laboratory to investigate the nutrient needs of the lactating woman and to study special properties of human milk that ensure the growth and development of the normal infant. The nutrient composition, physical properties, and immunological resources of human milk have been investigated with additional support from the National Institute of Child Health and Human Development. The ultimate objective of this major program of research is to establish collection, storage, and distribution standards for human milk banking and to provide human milk as a resource for research and service to infants with special dietary needs.

The behavior and personal relationships between nursing women and their infants also are being investigated. An educational program has been designed and tested to train primary health care workers to assist mothers in the USDA's Women, Infants, and Children (WIC) program to breast-feed their infants successfully.

Progress has been made toward reaching current laboratory goals. Studies have been completed that evaluated the nutrient composition of milk produced at various stages of lactation. Assessments have been made of colostrum, the first fluid available to the infant for approximately ten days to two weeks; transitory breast milk, the intermediate milk which is produced for approximately the next two weeks; and mature milk, which is made up of foremilk and hindmilk (hindmilk has a higher fat content) and is produced until breast-feeding is discontinued. Metabolic studies have been initiated based on research findings from these and other experiments of human milk that have assessed collection, storage, processing, and feeding techniques.

Human milk has been identified as the ideal nutrient source for infants. There appears to be, however, a marked non-random distribution of infant feeding practices in the United States. Women from middle- and upper-income groups are much more likely to breast-feed their infants than are low-income women. In addition, data demonstrate that of those low-income women who choose to breast-feed, there is a marked discontinuation of breast-feeding during the first month. Studies have been completed that assessed specific interventions designed to support the practice of breast-feeding among low-income women. Preliminary evidence has been obtained that indicates that prenatal, in-hospital, and postpartum breast-feeding support services can improve significantly the success rate of breast-feeding among this population during the first 30 days postpartum.

The Lactation Laboratory will continue a program of research that focuses on the measurement of maternal nutrient requirements and the effect of diet on the composition and yield of human milk. A detailed investigation of energy intake by breast-fed infants is in progress. During the past year a series of investigations was made to determine the effects of maternal factors on human milk composition. Studies of the effects of maternal smoking and the provision of complementary feedings to infants on the composition of human milk have provided important insights.

During the coming year, investigations are planned to determine the role of dietary fat, protein, and calcium on milk composition. The scientists will utilize the facilities of the Stable Isotope Laboratory to conduct these investigations in normal mothers and their infants.

Weaning Laboratory

This laboratory's mission is to determine those foods that should be introduced into the infant's diet to supplement maternal milk or infant formulas and to investigate the disorders of the gastrointestinal tract that occur as a consequence of inappropriate weaning.

Investigations are in progress in the Weaning Laboratory to determine the special problems that occur when foods, other than breast milk, are added to the diet of the infant. Problems of poor nutrient availability along with food intolerance and contamination make this transition a high-risk period even in the best of circumstances.

Recommendations concerning the appropriate timing for the introduction of baby foods should be based upon knowledge of the digestibility and absorption of these nutrients. The infant's ability to digest nutrients from baby foods is being investigated in cooperation with the Stable Isotope Laboratory. Initially, infant cereals are being studied. Investigations also are underway to determine the effects of weaning on growth. Methods are being developed to measure the growth and maturation of body tissues as they relate to dietary changes at weaning. The results of these studies will provide a scientific basis for recommendations for weaning infants.

Weaning diarrhea can be a major insult to the health of the infant during this transition period. Among the less advantaged, weaning diarrhea complicated by formula intolerance may lead to malnutrition. Investigations are underway to determine the impact of acute and chronic forms of weaning diarrhea on gastrointestinal function and body composition. One study will determine specific causes for the chronic diarrhea associated with severe food intolerance that often is suffered by malnourished infants in the Houston area. Preliminary data indicate that prior malnutrition contributes to the development of acute and chronic forms of weaning diarrhea. This type of study may lead to increased effectiveness in achieving the goals of the Women, Infants, and Children Program (WIC) and will contribute further to an understanding of dietary allergies and intolerances that are diagnosed commonly in infants who are not breast-fed.

During the coming year, investigations of the changes in body composition with the occurrence of protein calorie malnutrition or acute gastroenteritis will continue. These include multidisciplinary studies that involve collaboration with investigators in Brazil and at Houston's Ben Taub General Hospital, one of the affiliated hospitals of Baylor College of Medicine.

At a more basic level, investigation is underway to determine intracellular nutrient composition by the use of the electron microprobe. The techniques for tissue preparation have been perfected and experiments in protein-depleted animals now are in progress. If these studies are successful, the research will be extended to human subjects later in 1982. An experimental model of weaning diarrhea has been developed successfully in miniature swine. This study is being extended to determine the effect of rotaviral infection on the intestinal mucosa of the piglet and the subsequent effect on nutritional status. A series of stable isotope applications is being developed to extend this investigation to the human.

Stable Isotope Laboratory

This laboratory is designed to prepare compounds labeled with stable isotopes and to develop instrumentation and techniques that will measure the isotopic abundance in biological samples. The objective is to carry out nonradioactive tracer studies to determine how infants and children as well as pregnant and lactating women utilize nutrients.

Stable isotopes are naturally occurring markers that can be incorporated into food components to label specific nutrients. The labeled nutrients then are traced through the biological processes of the body to determine absorption rates.

Investigators in the Stable Isotope Laboratory are developing techniques to be applied directly to research problems in the Lactation and Weaning Laboratories. Measurements are being developed to determine the nutrient cost of producing human milk and to determine the lean body mass and the percent of body fat present in the lactating mother. Studies to determine the digestion of different types of dietary nutrients have been conducted successfully in infants using nutrients labeled with the stable isotope, carbon-13.

Techniques also are being developed for the measurement of other nutrients within the body such as magnesium, calcium, iron, copper, chromium, zinc, and manganese. Studies using the techniques developed will determine the availability, absorption, total body content, and daily requirement of these elements.

The Stable Isotope Laboratory will continue to develop more effective mechanisms for handling larger quantities of samples for gas isotope ratio measurements of stable isotope abundance. As indicated in the Lactation Laboratory section of this report, three new avenues of investigation are being developed to measure the direct effects of the food the mother eats on the milk she produces. Stable isotopically labeled amino acids, fatty acids, and calcium will be fed to lactating women and measurements will be made to determine the contribution of body stores and food eaten on milk production.

Methods employing stable isotopes and the collection of breath and urine samples will be used during the coming year to identify changes in body composition of infants as they recover from malnutrition, to measure the ability of the intestine of premature and term infants to absorb fat, and to predict the development of liver injury in young patients receiving intravenous feeding.

General Services

The General Services group of the CNRC participates in the planning, management, and conduct of multidisciplinary research protocols. The group includes a biostatistician, data base manager, epidemiologist, scientific editor, and two nutritionists. The services of this group are available to all scientists staffing the three laboratories.

WORKSHOPS

Three workshops have been conducted by the Children's Nutrition Research Center. The workshops are an essential first step in science management. They identify the scope of a field of investigation and result in the development of priorities for future research within the CNRC. The manuscripts from the first workshop, Nutrition of the Child: Maternal Nutritional Status and Fetal Outcome, have appeared as the April 1981 supplement of The American Journal of Clinical Nutrition. Summaries of the workshops, Lipid Requirements of Early Development and Stable Isotope Measurements on Metals, are given below.

A. Lipid Requirements for Early Development

The CNRC held a workshop on the Lipid Requirements of Early Development, October 14-15, 1980. This workshop was convened to discuss the state of lipid science and to identify key areas of research that would be appropriate for development in the CNRC. Lipids represent a group of organic compounds which includes fats and oils.

The human species has achieved the highest degree of development in terms of the brain, nervous, and vascular systems, and consequently has the highest level of performance and longevity. The processes leading to the development of these functions occur during fetal and early post-natal life. Recent advances of lipid technology have exposed immense gaps in our knowledge. There is a major requirement of lipids in early development and it is known that distortions at this time can be permanent and the deficits can impair the quality of life.

The primary objectives of this workshop were to define lipid and essential fatty acid requirements for the most favorable outcome of pregnancy and lactation and infant and child development. Lipid research was divided into three areas: energy, essential fatty acids as structural components, and prostaglandin derivatives of the essential fatty acids.

These areas should be viewed not as separate, but interlocked. For example, the brain, which is the most lipid-rich organ, requires energy to facilitate growth and maintenance, essential fatty acids for its structures, and prostaglandins to maintain the integrity of its vascular bed.

As fats, lipids are the principle source of energy in pregnancy, lactation, and weaning. As far as cell or organ growth is concerned, lipids are the most important ingredient of the brain and nervous system; they are major components of cell membranes and determine cell membrane function. Consequently lipids are of special importance to membrane systems involved with blood vessels, hormonal secretions, kidney function, and the immune system.

Precise methods for lipid research only recently have become available and have revealed that just as amino acids are the building blocks of protein, certain essential fatty acids are important in lipid structures and the formation of prostaglandins. Prostaglandins, a group of naturally occurring fatty acids, are known to have a variety of functions as physiological regulators that parallel hormone-like substances derived from essential amino acids.

It was concluded that lipid research is relevant to the mission of the CNRC and that the first phase of lipid research should be devoted to the identification of requirements for health that will produce the most favorable outcome of pregnancy and lactation as well as infant and child growth. Such knowledge would provide the basis for an eventual investigation into the crucial area of nutrition and brain and behavioral development.

Stable Isotopic Measurements on Metals

On June 23-24, 1981, the Stable Isotope Laboratory was host to a workshop on Stable Isotopic Measurements on Metals. The workshop was convened to bring together scientists concerned with the role of minerals in human nutrition. Minerals of specific interest included magnesium, calcium, chromium, iron, nickel, copper, zinc, and selenium. All of these elements share the common trait of existing in several alternative stable isotopic forms. Thus, the study of their uptake, absorption, transport, utilization, and excretion by the human body can be traced without danger to the subject population. In the past much information had been gained, on small numbers of individuals, using radioactive isotopes of these elements to monitor the nutritional pathways through which these essential dietary minerals pass. As the need has grown to extend such studies to children, women, and the population at large, reliance on radioactive measurements no longer is possible.

All the investigators who met for this workshop were involved in nutritional studies of metals (minerals) employing stable isotopes. Although there were three different analytical approaches to these studies, all involved the feeding of the rare form of the isotope in concentrated form to human subjects, either as a direct supplement to the diet (extrinsic form) or incorporated into a cereal grain or animal product in which the plant or animal had previously received the enriched isotope (intrinsic form). Alternatively, in some studies a mineral such as calcium may be given by an intravenous injection. Throughout the following nutritional studies, samples of urine, stool, sweat, blood, or milk are collected from which the mineral must be isolated and separated from the organic material accompanying it. Often the individual mineral must undergo further purification to separate it from other elements of a similar nature, prior to measurement of the amount of the rare (tracer) isotope present in the sample. This final measurement is a very exacting process that served as a major focus of the workshop to define the possible methods that could be used and the appropriate use of each method.

The first process consists of placing the isolated sample in a nuclear reactor where it undergoes an intense bombardment from the stream of neutrons within the reactor. This process, known as neutron activation, converts the stable isotope of the element into yet another isotope, which is radioactive. By this means, radioactivity is induced in the sample after it has been recovered from the human subject, and its quantity is determined almost in the same manner as if a radioactive isotope tracer has been used directly. This technique is ueful particularly for determining the digestibility (bioavailability) of minerals in the diet when used to measure the amount of unabsorbed tracer that passes out into the stool over two or three days after the test dose is administered. However, its precision is limited and its use depends on the suitability of the element for activation. Thus, for mineral nutrients such as iron, which is largely unabsorbed (95%), determination of the amount absorbed can be measured only approximately. Accurate comparisons from one diet to another are very difficult even within the same individual.

A second method employs mass spectrometry to separate the element into its isotopes when the charged atoms are passed through a magnetic field. This technique, used during the early days of the development of the atomic bomb to separate uranium isotopes, can be simplified by first converting the mineral to a volatile (low boiling) liquid. This process is called chelation. Metal chelates are gases at 200°C or below and can be introduced into the high vacuum required for mass spectrometric measurements by several means, either by direct insertion of a probe containing the chelate into the ion source, or by means of a gas stream that carries the chelate through the separation step prior to mass spectrometry.

The third method, used in the uranium industry and in geological laboratories concerned with extremely precise measurements of isotope ratios, requires that the mineral salt be coated on a filament that is inserted into the ion source. When the filament is heated by an electric current passing through it, the metal atoms boil off or vaporize and are separated by the magnetic fields that they encounter. This method is called thermal ionization and is the standard by which all other measurements are judged. It is, however, a painstakingly slow process and does not lend itself to many measurements in a short period of time.

Much discussion centered on the numbers of samples being collected in nutritional studies of minerals at the participants' laboratories and the difficulties in obtaining the necessary precision while faced with the volume of measurements. A detailed analysis of the instrumental capabilities showed that for virtually all studies envisioned, the precision of the thermal ionization mass spectrometer was essential to obtain meaningful results. This presents a number of problems in the further development of mineral nutrition because the cost of such instrumentation is so great that any facility capable of such measurements would have to be shared. Moreover, the propagation of such centers is limited severely by the number of trained individuals who have the necessary experience to conduct these measurements.

The group reached several conclusions of significance. First, that neutron activation and metal chelate techniques were adequate for the simplest type of recovery measurements on readily-absorbed minerals. Second, detailed insight into the transport of minerals within the body as well as their participation in nutritional processes will require the very exacting measurements of thermal ionization mass spectrometry. Third, it is highly imperative that any projected facility for such measurements must, from the onset, emphasize automation of as much of the measurement process as possible. Fourth, the techniques for each mineral to be investigated must be developed in a careful, systematic manner such that complete confidence in the quality of the measurements can be justified. In this regard, future liaison between the USDA and the National Bureau of Standards appears essential. Fifth, the use of all available information in the scientific literature derived from radioactive studies, together with the newly available ability of computer simulation of human metabolic processes, enables the scientist to model the intended experiment beforehand to determine exactly how much isotope will be required and how exacting the measurement process must be. Use of such modeling techniques for calcium can lead to better planned and executed nutritional studies. Finally, the group agreed that the convening of investigators of similar interest in mineral nutrition was helpful to all, and that a continuing liaison, cooperation, and exchange of information would be mutually beneficial.

NEW INITIATIVES

The overall growth of the Center has been carefully planned and reviewed with the Council of Scientific Advisors and the Executive Committee of the CNRC. Table 1 provides a brief summary of the programmatic, personnel, facility, and budgetary projections. A more detailed analysis of the budgetary request for 1983 appears in Table 2. The present program costs and additional requests are noted for each laboratory and budgetary area. The rationale for the increased budgetary requests are outlined in Table 3.

Expansion of the existing work is detailed in Table 3 and the additional initiative, the nutritional studies of pregnant women, is indicated.

BUDGET REQUEST FOR FY 1983

Operation Budget	
Present Program	4,000,000
Pregnancy Program	1,300,000
Facility	
Planning for New Facility	6,900,000
TOTAL REQUEST	12,200,000

Table 1

CHILDREN'S NUTRITION RESEARCH CENTER

FIVE-YEAR PLAN

Code: Start △——▽ Finish
Elapsed Time

SCIENTIFIC PROGRAM PROJECTIONS	1980 Oct. 1-Sept. 30	1981	1982	1983	1984	1985
Lactation Laboratory	△—	—	—	—	—	—
Weaning Laboratory	△—	—	—	—	—	—
Stable Isotope Laboratory	△—	—	—	—	—	—
Pregnancy Laboratory				△—	—	—
Lipid Unit			△—	—	—	—
Energy Unit			△—	—	—	—
Micronutrient Unit				△—	—	—
Brain & Behavioral Laboratory						△—
Adolescence Laboratory						
Manpower Projections,		21	21	30	47	53
scientist years						
Facility Projections,		10.4	18.2	31.1	40.0	54.0
square feet in thousands						
Budget Projections,		2.8	2.8	5.3	9.4	11.5
millions of dollars (1981)						

Table 2. 1983 Operation Budget Request

Children's Nutrition Research Center	Present Program Costs	Additional Request	Total
Present Program			
Indirect Costs (Baylor = 10% of Direct Costs)	260,650	130,250	390,900
Facilities and Renovations	197,667	220,640	418,307
Administrative	288,697	-0-	288,697
General Services	465,501	165,000	630,501
Weaning Laboratory	530,740	371,510	902,250
Lactation Laboratory	515,756	64,000	579,756
Stable Isotope Laboratory	607,589	182,000	789,589
TOTAL PRESENT PROGRAM	2,866,600	1,133,400	4,000,000
New Program			
Pregnancy Laboratory		1,300,000	1,300,000
TOTAL NEW PROGRAM		1,300,000	1,300,000
TOTAL PROGRAM COST	2,866,600	2,433,400	5,300,000

Table 3. Justification for 1983 Additional Budget Request

Facilities and Renovations

4 Additional laboratories (leased space and renovations); animal room

General Services

1 Additional bed for human investigation - Clinical Research Center
1 Additional Scientific Programmer

Weaning Laboratory

Potassium deficiency in weaning diarrhea
Carbohydrate intolerance in weaning diarrhea
Expansion and recruitment of a nationally recognized leader for this laboratory
3 Additional technical support people

Lactation Laboratory

4 Additional technical support people

Stable Isotope Laboratory

2 Additional technical support people
Equipment for deuterium measurement

New Program

Pregnancy Laboratory

CHILDREN'S NUTRITION RESEARCH CENTER
BAYLOR COLLEGE OF MEDICINE-TEXAS CHILDREN'S HOSPITAL
HOUSTON, TEXAS

FACT SHEET 1982

BACKGROUND AND MISSION

The Children's Nutrition Research Center in Houston, one of four Human Nutrition Centers established by the United States department of Agriculture, is the nation's only facility dedicated to the scientific study of the nutritional needs of pregnant and lactating women, and infants and children.

The Center incorporates 18 years of experience in nutrition research by Baylor College of Medicine's Department of Pediatrics and Texas Children's Hospital.

Continued funding by Congress will sustain the momentum of research activities designed to establish a scientific basis for national standards to:

1. Determine how the diet (nutritional intake) of a pregnant woman affects the health of the child she delivers.
2. Determine how nutrition of the mother affects lactation and the nutrient content of her milk.
3. Determine the relationship between nutritional intake and the physical and mental development of infants and children.
4. Define the nutritional needs for optimal growth and development of children from conception through adolescence.

CURRENT ACTIVITIES

Since its founding in November, 1978, the Center has developed five broad areas of research that have been approved by both the Council of Scientific Advisors (composed of nutrition scientists) and the Executive Committee (composed of government and institutional advisors). The research is being conducted in three laboratories.

Lactation Laboratory

Studies in this laboratory concentrate on the dietary needs of lactating women and on the special properties of human milk that ensure the growth and development of the normal infant. Researchers have studied the nutrient composition, physical properties, and immunological factors of human milk. Studies have also been conducted to identify the effect of the mother's intake of calcium, sodium, and protein on the health of the fetus during pregnancy and on the ability to produce milk after giving birth.

Studies on the behavior and personal relationships between nursing women and their infants have resulted in the development of an educational program for primary health care workers. As part of the USDA's Women, Infants, and Children (WIC) program, these health care workers are assisting new mothers who have decided to breast-feed their infants.

Weaning Laboratory

Research in this laboratory is providing answers to the problems that occur when foods other than breast milk are added to the infant's diet.

The period of weaning, when cereals and baby foods are introduced to an infant's diet, is a high-risk period often marked by intolerance to the new nutrients. Recommendations for appropriate timing in introducing cereals and baby foods are being developed, based on knowledge of how well infants digest and tolerate them. The Weaning and Stable Isotope Laboratories are designing ways to evaluate intestinal development and function during the weaning period.

Investigations continue on the effects of acute and chronic forms of diarrhea on infants during the weaning period. A study of malnourished infants in the Houston area seeks to determine why they often suffer from chronic diarrhea associated with severe food intolerance. This research will help define the causes of dietary allergies and intolerances that are often diagnosed in infants who are not breast-fed.

Stable Isotope Laboratory

This laboratory, established in 1980, has developed new techniques that are being applied to ongoing research in lactation, weaning, energy, and body composition.

Stable isotopes are naturally occurring markers that can be incorporated into food components to "label" specific nutrients. The labeled nutrients are then traced through the biological processes in the body to determine absorption and utilization rates.

Studies using the stable isotope tracing techniques are used to measure specific daily dietary requirements during pregnancy and lactation for women, and during infancy through adolescence for children.

PROPOSED ACTIVITIES

The Children's Nutrition Research Center, now in its fourth year of scientific work, is operating on a budget of $2.9 million. Funding for the Center has been relatively steady, adjusted for inflation, during the last three fiscal years. During this time, major programs on the nutritional needs of lactating women and infants have been phased in and scientists of the highest quality have been recruited. Funds are now required to provide these scientists technical support personnel for their research. An increase of $1.1 million is needed to reach the scientific potential of existing laboratories.

One additional program will be required to fulfill the Center's mission as defined by the Council of Scientific Advisors. Funds for a **Pregnancy Laboratory** are being requested again for the third year in a row. The addition of this unit, at a cost of $1.3 million to study nutritional needs of pregnant women will complete the Center's commitment to maternal and infant nutrition research from conception to infancy.

The Center now operates in rented facilities and has been restricted to minimum space requirements. The lease on the space now being utilized expires in 1988. Current and projected programs led the Executive Committee in 1981 to recommend that a permanent facility to house the Center be constructed. Funding was not available in Fiscal 1982, although appropriations were provided to complete construction of permanent facilities for the other USDA human nutrition centers. This year's request seeks $6.9 million for architectural and engineering planning of a permanent facility for the Children's Nutrition Research Center.

1983 BUDGET REQUESTS

Operating:		
Develop Existing Programs	$4,000,000	
Establishing Pregnancy Lab	$1,300,000	
SUBTOTAL OPERATING FUNDS		$5,300,000
Construction:		
Permanent Facility Planning		$6,900,000
TOTAL REQUEST		$12,200,000

COOPERATING INSTITUTIONS

Baylor College of Medicine is one of the leading academic health science centers in the nation and provides a climate of excellence for basic and clinical research.

Texas Children's Hospital is a Baylor teaching hospital with a distinguished record of service and education.

For further information contact:

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BACKGROUND AND MISSION

Dr. NICHOLS. We have now entered our fourth year of research at the Children's Nutrition Research Center. A few months ago, I was looking over testimony that we gave in 1974 and trying to estimate whether we were keeping up with the promises we made. I would like to read the nontechnical proposal in which we stated that, "The science of animal husbandry has allowed the development of technical skills related to optimal animal growth for commercial value. The field of human growth has limited development by comparison. There is now ample evidence that human growth and physical development can be influenced by nutritional factors. Mental development may also be influenced by nutritional adequacy. We recommend a systematic study of the influence of nutrition on growth in the human."

Senator Cochran, we are doing just that. We have three basic emphases at the present time: nutrition of infants during breast feeding, the nutrition of these infants during the period of weaning, and we have developed what is the world's major resource for application of heavy isotopes to the measurement of human nutrition needs. I am very proud of that, and I hope one of these days you can get by to visit the facility at Baylor College of Medicine. It is operated there through a cooperative agreement with the Department of Agriculture.

PERMANENT FACILITY PLANNING

We are coming up to the time where we have to face the issue of a permanent facility. The other centers of the human nutrition program in the Department of Agriculture are now completing the facility development. We have conducted a feasibility study concerning options for building and are prepared to request an architectual and engineering appropriation for the development of plans for the permanent facility for the Children's Nutrition Research Center.

Our program is growing. The projection of such a facility would be based on visualized needs of the program, and I think would be quite in keeping with the development of the unique and major international center for determination of the nutritioaln needs of pregnant and lactating women and of infants and children.

I wonder if you have any questions, Senator Cochran.

Senator COCHRAN. I was trying to recall last year. I recall the testimony we had about this center and am beginning to understand all of the areas of concern and interest with the subject of research that was going on there. I remember being quite impressed with the fact that this is one of the few facilities and institutions in the country that is doing this kind of work. I am confident that it is a worthwhile endeavor, and I hope the subcommittee will be responsive to the funding needs that exist in connection with the center.

As I understand your testimony, it is generally to support funding to assist in expanding the research activities there. Is there any construction request that is part of this account?

Dr. NICHOLS. Yes, we are requesting funds for planning the permanent facility—architects' and engineers' fees. The sum requested is $6.9

million, representing inflationary increases over the past 3 years that we have asked for that increased appropriation.

FACILITY DEVELOPMENT REQUEST

Senator Cochran. What does the budget have in for this? Is there any budget request?

Dr. Nichols. No, the budget request did not include facility development.

Senator Cochran. Well, at this time the research is being conducted there in the facility at the school of medicine.

Dr. Nichols. We are using facilities in the medical towers right across the street from the hospital. We are redeveloping that area into laboratory space as necessary. But that is leased space, and the pressure for office space in a major medical center like that is intense, and there is a limit how much we can develop that kind of space.

Senator Cochran. We appreciate having your testimony here and the explanation for the needs. We will carefully consider the request, and I hope we will be able to find room enough in the budget to provide some assistance to your efforts.

Are there any other comments from any other witnesses?

Mr. McNutt. I might comment, Mr. Chairman, on the construction matter last year. I believe I am correct in saying that all the construction needs and requests and projections that were in at that time for the other five centers were completed. There was a rather large final appropriation—several million dollars—for the center at Tufts on aging, and at Grand Forks there was some final construction money. So I believe all the other centers have their construction funds, and we more or less understood we were behind them in line for this. Now their needs have been met, and we are very hopeful that we can start moving toward meeting our needs.

Senator Cochran. We will take a look at that. I do recall those facilities at Tufts and in North Dakota, and we will take a look at all that and see where we are and what can be done about providing some funding for the center at Baylor.

Thank you very much for reminding us of the importance of what you are doing down there.

NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

STATEMENT OF LOUIS WISE, VICE PRESIDENT FOR AGRICULTURE, FORESTRY AND VETERINARY MEDICINE, MISSISSIPPI STATE UNIVERSITY, REPRESENTING THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

ACCOMPANIED BY RAY MILLER, DEAN, COLLEGE OF AGRICULTURE, UNIVERSITY OF IDAHO

FOOD AND AGRICULTURAL SCIENCES

Senator COCHRAN. The next witness is Dr. Louis Wise, vice president for Agriculture, Forestry and Veterinary Medicine, Mississippi State University. He is accompanied by Dr. Ray Miller, dean of the College of Agriculture, University of Idaho, and they will be speaking on behalf of the National Association of State Universities and Land-Grant Colleges.

We welcome you to the subcommittee. It is good to see you, Dr. Wise and Dr. Miller. We are always glad to have you help the subcommittee.

Dr. WISE. Thank you, Senator. I am honored to have with me a panel of distinguished professionals in the food and agricultural sciences from the land-grant universities. You have already recognized Dr. Miller, who is the dean of the School of Agriculture at the University of Idaho. Also, Dr. Ken Reisch, who is associate dean of resident instruction at Ohio State University; Dr. Tal DuVall, who is director of the cooperative extension at the University of Georgia; Dr. Jack Stockton, who is dean of the College of Veterinary Medicine at Purdue University; Dr. Handy Williamson, director of research at Tennessee State University; Dr. Mortimer Neufville, director of extension at Lincoln University. Both of these two gentlemen are representing the 1890 universities.

We missed you on your recent trip to Mississippi, but we kept up with you through your friends and through the newspaper. In fact, I brought a clipping out of the Jackson paper that I didn't know whether you had seen or not. It shows you and two of your colleagues, one of them Senator Hollings.

Senator COCHRAN. I hadn't seen that. I am glad you brought it along.

Dr. WISE. Senator Heflin was bragging about you just a moment ago, and I want to illustrate to the group that you have a lot of other folks thinking the same thing down in Mississippi. This thing starts off by saying, "Senator Thad Cochran—Republican of Mississippi—basks in the adulation of 1,000 State Republicans during a dinner in his honor." So that accounts for what we think about you.

Senator COCHRAN. Well, we will have to have another one of those next month. They are a lot of fun. [Laughter.]

Dr. WISE. I thought that was strong, but no stronger than you deserve. That is about the end of the good news. [Laughter.]

From there on it goes downhill. I asked my wife to clip things out of the paper that appeared April 6 and 7 about the condition farmers are in, and these are the number of articles that appeared in just the Jackson paper and in the Greenwood paper on the situation.

DELINQUENCY RATE OF FMHA

I guess the main message that comes through here is the debt situation that farmers are in. There are several articles here that talk about the high delinquency rate of Farmers Home Administration. I remember Senator Sasser was here with you last year. One article points out that in all but 3 of the 13 counties in West Tennessee, the delinquency rate exceeds 80 percent. In Shelby County, which you know is the Memphis country, 119 of the 134 accounts of Farmers Home Administration are delinquent.

I cite to you Farmers Home Administration primarily because I know you know how important the Farmers Home Administration is to financing agriculture in the State of Mississippi. I was talking to Pete Perry recently, the director of the local Farmers Home Administration. He told me 60 to 65 percent of the credit of farmers in the State is coming from Farmers Home Administration.

Of course, the Farmers Home Administration is not the only one having it tough. PCA's are in trouble also. One of these articles talks about the PCA's in Arkansas and in Mississippi and points out that 70 to 75 percent of all of the loans that they have are delinquent at this time. You may know Mr. A. W. Stephens at Clarkesdale. He is president of the North Delta PCA. That is one of the larger PCA's in the State. He states he has been in the lending business for 35 years, and he hasn't seen anything that can compare with it. I comment on the delta there. But the only difference between the delta and the hill sections of the State is the size of the debt. They just don't owe very much over in the hill.

There are about three articles in here on the auctioneers, the big day the auctioneers are having around the country. You may know the Oakie Auction Company in Belzoni. They say they have never seen it like it is at the present time. The only problem they have is they can't find any buyers for the stuff they have to auction. Another article points out the situation encountered by J. B. Sykes, who is down in the rice land of Mississippi; good irrigated rice land last year was selling for $1,200, $1,300, $1,400, $1,500 an acre. A big block of it was offered this year; it started off at $800 an acre and never moved a penny above it.

LAND PRICES

In another article Congressman Jamie Whitten comments on the dropping land prices. And, of course, the farmers' equity and all is just shot to pieces when this happens. They don't have anything to borrow against.

It is no mystery as to why this has all been happening. First, we have had—I say we—the farmers have had 3 dismal crop years in a row, 2 of them crop failures in 1979 and 1980; then in 1981 they had a big crop, but prices were so bad that a big crop eventually lost more in producing.

DEBT SITUATION

I am reminded of the farmer debt situation. I guess I am reminded of this farmer who had a record crop in cotton and soybeans. A newspaper sent a reporter out to interview him, and the reporter says, "Mr. Jones, you had this big crop. You must be really happy about it." And he said, "Yes, but it is mighty hard on my soul." This year the big crop was mighty hard on prices.

You know, too, a lot of this has come about because of increased cost of production, and very obviously, the high interest rate that troubles everybody.

I was talking just last week to the county agent over in Sunflower County, and you know it is one of our better farming counties. He told me that 10 to 15 substantial—I don't mean marginal farmers—substantial farmers in that county won't be farming this year.

Somebody was talking about a farmer who asked another farmer how he was getting along, and he said he broke even. He said he sure was glad, because he needed the money. And this is about the situation.

B. F. Smith was supposed to be with us today. As you know, he is the executive vice president of the Delta Council which is one of the most influential organizations in our State as far as agriculture is concerned. He appeared at the House hearing but wasn't able to get here today. I think he has written you his comments.

Cecil Williams occupies the same position that B. F. Smith does over in Arkansas. There is an article that talks about the terrible condition that they are in there. You know Kenneth Williams in the House of Representatives down home; Ken is a big farmer and has other substantial interests too. I have never seen people more worried. Ken says he sits down and puts a pencil and paper to it, and there is no way he can come out with anything but a loss during this coming crop year.

I think the saddest thing about it and the thing that is most different about it from other years is that we had bad years before, but a farmer never really lost his confidence. They complained about it, but they have lost their confidence and really don't know what to do at the present time.

I am on the board of directors and the executive committee of the Mississippi Chemical Corporation which, as you know, is the largest manufacturer of nitrogen fertilizers in the South. Fertilizer just isn't moving. It is not just slow; it is just not moving.

I talked to one of the seed dealers, one in your area and another over in the LeLand area, and as recently as 4 weeks ago they hadn't moved a sack of seed. This is highly unusual. Most seeds are already booked 2 or 3 months in regular years. So it is a serious thing.

Farmers, of course, are used to crying wolf. But the wolf is at the door in this particular time.

I think, too, there is a difference that exists today that maybe didn't in previous times. There is an article in here by Dr. Vernon Hurt, an agricultural economist at Mississippi State University, and he points out that the situation is much more serious than it was in the low farm prices before the last depression, because at that time before the big depression farming was labor intensive. It is not labor intensive anymore; it is capital intensive. And it not only hurts the farmer, but it hurts everybody.

I am sure you have been reading about the trouble of International Harvester laying off 10,000 workers nationwide. In Memphis alone they laid off 1,000 workers. Most of those folks live down in the southern counties. We feel the impact of this.

There is an interesting article here about a man over at Lambert, Miss. You may know him. I don't know him. His name is Frank Trainer. It has pictures of him standing out in front of his equipment shed, and the article goes on to tell about the foreclosure they are doing on him. Mr. Trainer came out of the Army in 1959, bought two tractors, borrowed $3,000, and this past year he was farming 5,000 acres of beans and cotton and rice. But they sold him out. He is a good farmer, and they are selling him out this year. One of the interesting things is his full name is Franklin Roosevelt Trainer. He said he was born in 1936 and that was just the time Roosevelt was running for his second term in office and he was bringing the country out of the depression, so his daddy named him Franklin Roosevelt Trainer. He says this is the second time he has been foreclosed, and both times there was a Republican President in office.

I apologize for taking maybe a rather unconventional approach and for laying all this stuff out here as I have done and talking about concentrating on Mississippi and the Midsouth. But you can take what I have said and apply it to the rest of the country, too. I cut some things out of the front page of the New York Times. The New York Times is supposed to print everything that is fit to print, and it sings the blues worse than the Clarion Ledger, not only in Mississippi but all over—Iowa, Indiana, North Dakota, anywhere. There is an article here from Newsweek, and an article here from Time. It is a serious situation.

This all leads to a point that I would like to make, and that is, with due respect to the Congress, there is not a whole lot that the Congress can do legislatively to solve some of the problems. The things that they can do to relieve the situation might be higher support prices or loan rates or giving farmers more money or various other types of relief. But really and truly, most things it can do to relieve the situation at the present time are temporary things and could lead to prices out of the export market or raising consumer food prices or other things.

LONG-TERM SOLUTIONS

I know Mr. Whitten has a resolution before the Agriculture Committee of the House calling for a moratorium on foreclosures by the Farmers Home Administration. I hope he succeeds, because we have a lot of folks in Mississippi and a lot of folks in other States that are going to get foreclosed if something of this sort doesn't happen. But that is not a long-term solution. My point is that the only real long term, positive solution to the thing is an increase in efficiency of production, of just lowering unit costs of what we are doing, getting it where we can sell things regardless of what prices are for a profit, that the farmer can stay in business, with an aggressive marketing program meeting the competition. You know U.S. agriculture has been an example for the rest of the world. But you also know that there has been a decline in recent years in the efficiency rate in American agriculture. I don't know anything that the Congress can do that would be more effective along these lines than through the support of agriculture and forestry research and education; that is, to continue and to expand the Federal support of the land-grant system to strengthen the local and State and Federal partnership that has been the envy of the rest of the world for the last 120 years, and which in recent years has been neglected at the Federal level.

RECOMMENDATIONS OF NASULGC

As the State partner in this, as the person representing the 50-odd State experiment and State extension services that are a part of the land-grant institution, we are specifically, No. 1, for the reestablishment of Bankhead-Jones funding, but with specific appropriation language directing that this money be used for the recruitment and training of graduate students in agricultural sciences. You know at colleges and universities our first and foremost responsibility is in training of people, and at the present time, there is a critical shortage of agricultural scientists, agricultural engineers, agricultural economists, forest engineers, and in the veterinary science area. We are simply asking the Federal partner to share in this responsibility.

No. 2, we are asking for adequate funds for agricultural research and education to meet the current and the future needs. Toward this end, we are recommending that a 7-percent increase over the 1982 levels in the farmer fund be for both the experiment station and extension. When I went to Mississippi State in 1950—that is 32 years ago—the experiment station budget had in it about 35 percent of the agricultural research budget. Today, it is about 12 or 13 percent. Almost more important than the dollars themselves is the fact that it is this Federal support that has glued the system together and that has brought us all into a planning and coordination mode, you might say. I am afraid that if something isn't done to get a better balance, we are going to end up with everybody going their own way.

No. 3, we are asking that the flexibility and strength of this State-Federal partnership be maintained. You know the Reagan administration is advocating the new doctrine of federalism. As I understand federalism, you put the support where the problems are—back at the State and local level. Well, if this is what it is, our land-grant system, our research, our experiment stations and extension program are about as perfect an example of federalism at its very best. There is no system in this country that operates closer to the local level, and I mean at the grassroots. When you deal with the county boards of supervisors, you are down at the citizen level, and this is how the land-grant program works.

I mentioned earlier a better balance between the Department of Agriculture and the State experiment stations and extension service. We have good relationships with the administration, the professional scientists, and all of the Department of Agriculture. We get together early in the year and do budget planning. We had every reason to believe that when the budget left the Department of Agriculture this year, that there was a pretty good balance in the State and Federal program support. Unfortunately, this balance got lost somewhere along the way, and I would suspect that it happened in OMB. I don't know any organization that probably knows less than the grassroots, and so forth, than OMB knows about it.

In closing, let me remind you that in terms of Federal programs, what we are asking for is a terribly, terribly modest increase; it is a pittance, if you want to put it that way, compared to what farm support programs or loan programs, or things of this sort might cost, and that might be accrued through research and education programs.

I appreciate this opportunity of coming before you and spreading it all out before you.

Senator COCHRAN. Thank you, Dr. Wise. As always, you have been a great help to this subcommittee. We appreciate your comments and the benefit of your testimony very much.

Dr. Miller, did you have any comments?

MAINTENANCE OF BASE BUDGETS

Dr. MILLER. I would like to make one comment and use one example. Dr. Wise mentioned using efficiency. One of the things that is badly needed is to maintain base budgets in these cooperative programs. I would like to use wheat as an example of what is coming down the line in terms of efficiency if we can maintain those base budgets. The simple example of what is happening in the wheat programs, where we were in the mid-1960's, where we are now—that was about 15-percent yield—and where we are going in the mid-1980's and late 1980's. This has potential of about a 40-percent increase in yield. That is a real gain in efficiency. That is what we have to have if we are going to allow agriculture to maintain the viability and capability we are used to in this country.

Thank you, sir.

Senator COCHRAN. Thank you very much, Dr. Miller.

I appreciate too very much the overview that you gave the subcommittee this morning. I agree with you that we are confronting a crisis in agriculture today throughout America, and there is a limit to the effectiveness of any legislative program that might be developed. I think we do have to analyze the alternatives that are available to Congress and the Government right now and seek out appropriate solutions to emergency problems that exist. We also have to look to the long range, the long-term interests of agriculture and the entire economy. I think it boils down to two challenges: getting interest rates down to reasonable levels and getting market prices up. To do that, we have to maintain our effort to be responsible in developing and implementing a fiscal policy. We also have to do something about our production. We have overproduced the market. That is one problem we confront. Efforts are being made to implement an effective acreage reduction program to do something about that. Inflation is on its way down to much more reasonable levels, which is encouraging in terms of long-term impact on the overall economy, as well as the agricultural economy.

We have to do something about increasing our exports. I think you are exactly right. Promotion activity is important. The President has requested a significant increase in funding for the Foreign Agricultural Service and our export promotion efforts, which I applaud, and I think will prove to be very helpful in doing something about improving our competitiveness overseas.

NONTARRIF TRADE BARRIERS

A more aggressive posture is being assumed by this administration and this Congress. Individual Members of Congress are getting involved more in trying to do something about nontariff trade barriers of the European Economic Community and Japan. This, I think, is going to again be showing some real benefits in terms of increased trade overseas.

I am encouraged that there are efforts being made and action being taken to do something about not only temporary but long-range problems as well. I worry about foreclosures out in the countryside too. But we have a commitment made before this committee that less than 1 percent of the Farmers Home Administration loans are being foreclosed this year. That is about as close to a moratorium as you can get without actually legislating a moratorium. Of course, that means next year there may be problems that are greater than this year if some farmers are encouraged thereby to remain in business and accumulate indebtedness and asset values continue to deteriorate. That postpones the problem, as you accurately pointed out when discussing the issue of a moratorium.

I think we have to do everything possible to restore confidence in the system we have. Farmers can't continue to be asked to work and invest when there is no hope for profit. But I think your testimony reveals to us how we can make some long-range investments to improve efficiency—allocate appropriate levels of funding for research and extension programs. This is a key to our long-range improvement.

We will do the best we can in those areas, and I think your testimony has helped us in a lot of respects to identify how we can be more responsive to the needs that exist now and in the future.

We appreciate also those who have accompanied you today—some high quality folks you have brought with you. We note also that Mr. A. D. Seale with Mississippi State University is in the audience. He always has an appropriate comment to make. We appreciate his friendship very, very much.

PREPARED STATEMENTS

Your complete statement and those your colleagues will be made a part of the record at this point.

Thank you for being here. We wish you well.

[The statements follow:]

PREPARED STATEMENT OF DR. LOUIS N. WISE
VICE PRESIDENT
AGRICULTURE, FORESTRY AND VETERINARY MEDICINE
MISSISSIPPI STATE UNIVERSITY

Mr. Chairman, Senator Eagleton, and Members of the Subcommittee, I am Louis Wise, Vice President for Agriculture, Forestry and Veterinary Medicine at Mississippi State University, and it is my honor today to head a distinguished panel of professionals in the food and agricultural sciences at the land-grant colleges. The members are Dr. Ray Miller, Dean of the College of Agriculture at the University of Idaho, Dr. Ken Reisch, Associate Dean for Resident Instruction at Ohio State University, Dr. Talmadge DuVall, Director of Extension at the University of Georgia, Dr. Jack Stockton, Dean of the College of Veterinary Medicine at Purdue, Dr. Handy Williamson, Director of Research at Tennessee State University, Dr. Mortimer Neufville, Director of Extension at Lincoln University in Missouri, Dr. Naurine McCormick, Assistant Director of Home Economics at the Ohio State University, and Dr. Richard Skok, Dean of the College of Forestry at the University of Minnesota. The panel members represent the various program and functional areas of the Division of Agriculture of the National Association of State Universities and Land-Grant Colleges.

All of us appreciate the opportunity to appear before you because of the record of support and the depth of understanding represented by this Subcommittee. Over the past several years, Congress, due to your excellent leadership, has intervened to provide support for agricultural research, extension, and teaching. For this, we thank you and we hope that this strong working relationship will continue.

In recognition of the time restraints of the Subcommittee, I will make some general comments about the role of the land-grant system in agriculture and ask Dean Miller who is the Chairman of the Division budget committee for FY 1983 to give a short statement. Each of our panel members has prepared a written statement that focuses on the specific interests and concerns of the groups represented which was submitted for the record. They will be happy to respond to specific questions about the various programs or functions that they represent.

You all know this record and you know of our competitive advantage in the agricultural production area. The problem is our nation too frequently takes agriculture for granted. We have not faced food shortages in the past four decades--a true miracle. The reason we have not has been a remarkable record of public investment in the food and agricultural sciences.

However, agriculture is a biological production process, subject to constant change. We cannot rest on our laurels. Even as we resolve one problem, new problems surface which can be biological, social, or economic in origin. Our investments in agricultural science and technology today are the basis to solve tomorrow's problems.

Our recommendations are based on three underlining principles. The first is the need to ensure the availability of well-trained scientists in the future to conduct the evermore complex and necessary research, to replace aging scientists, and to meet the needs of agribusiness. Our second principle is to secure adequate funding for agricultural science so it does not fall behind in the struggle to maintain productivity. And third, we believe the strength and flexibility of the agricultural research/education system must be maintained in order to meet future problems as quickly and efficiently as possible.

In the 120 years since Congress instituted the first part of this system with the signing of the Morrill Act and the establishment of the Department of Agriculture, you have passed over 50 legislative directives for the State representatives of the agriculture system and the Department of Agriculture.

As State partners we have several unique responsibilities. Our first and foremost responsibility is the education and training of the professionals needed by all sectors of the agriculture research community of extension and agribusiness.

The scientists who work for industry, who work in USDA labs, who work in the agricultural experiment stations and the extension services of the States are nearly all trained at our campuses. As a nation, we are now running into severe shortages of scientists in many agricultural disciplines. Some of the most critical include agriculture engineers, genetists to meet the challenge of genetic engineering, veterinary scientists, and agricultural economists including farm management specialists. In addition, we face increasing demands to staff international agricultural programs of vital interest to the United States.

The shortage of available scientists limits the ability of all parts of our system to meet their responsibilities and to maximize productivity. For this reason, a major recommendation we are making this year is the reestablishment of the Bankhead-Jones funding with specific appropriation language directing these funds be used for the recruitment and training of graduate students in the agricultural disciplines. These funds enhance the development and supply of needed future scientists and complement the research activities of scientists within the universities and agricltural experiment stations.

Our second principle calls for adequate funds to be sure our agricultural research and extension capacity is maintained to meet current and future needs. We are recommending a seven percent increase over 1982 levels for the base programs to minimize the effect of rising costs.

Our third principle is the flexibility and strength of State-Federal partnership must be maintained. Our agricultural research, extension, and teaching system--a State, Federal, local partnership--reflects all of the virtues that this Administration is trying to capture in their program of new federalism. It has from the beginning had broad fiscal and political support. It has always operated close to the local level where the problems are.

Mr. Chairman, we have the best working relationship at this time with professionals and administrators of the Department of Agriculture that we've had in perhaps a decade. It is my understanding the budget proposals that left the Department of Agriculture not only recognized the needs of American agriculture but exhibited excellent balance among the programs and among the partners. Unfortunately, this balance was lost in the budgetary process. My understanding is a significant amount of the adjustment occurred within OMB which is rather distant from the knowledge base and understanding of the professionals who developed the base budget.

We believe it is imperative that the State research and extension programs be advanced in a balanced way if we are to meet the research challenges as well as move research from the lab to the field in an expeditious manner.

Today our nation is in a very serious economic crisis. We appreciate the difficulties that you face in the appropriation process. We are asking only for modest increases. We firmly believe that the short-term economies that might be realized by reducing support for agricultural research, extension, and teaching today would result in high costs in the future.

American agricultural productivity is based on the science and technology that the system has created for the past 120 years. The problems change quickly in a world economy that is constantly shifting, and at the razors edge between adequacy and starvation. Time after time agriculture has contributed significantly to the well-being of this nation. In five of the past seven years, the cost of food has risen less than the overall cost of living index. I noted earlier the importance of agricultural trade to our economy. Agriculture has been aiding in the effort to bring our economy back into balance.

I firmly believe the modest requests that we are making are vital to our national interest. I know you all share our concern. We hope that in the deliberations you must make, you will consider the importance of agricultural research, extension, and teaching as an investment in the future which will help us solve the underlying problems we all face. However, the dividends on this investment can ony occur if there is continuity of support.

Thank you

PREPARED STATEMENT OF KENNETH W. REISCH

ASSOCIATE DEAN

FOR

RESIDENT INSTRUCTION

COLLEGE OF AGRICULTURE AND HOME ECONOMICS

THE OHIO STATE UNIVERSITY

Mr. Chairman and members of the Subcommittee, I am Kenneth W. Reisch, Associate Dean for Resident Instruction in the College of Agriculture and Home Economics at The Ohio State University. I am pleased to have this opportunity to testify on behalf of the Resident Instruction Committee on Organization and Policy of the Division of Agriculture, National Association of State Universities and Land-Grant Colleges, with regard to the Higher Education aspects of the FY 1983 Federal Budget for Agriculture.

Agriculture, our nation's largest industry, which employs over 20 percent of the U.S. civilian workforce and accounts for approximately 20 percent of our Gross National Product, is experiencing a serious expertise shortage in many disciplines. The magnitude of the problem is described in the USDA/SEA 1980 report, "Graduates of Higher Education in the Food and Agricultural Sciences: An Analysis of Supply and Demand Relationships," which states that the supply of graduates of higher education in the food and agricultural sciences will, at best, meet only about 85% of the demand for these graduates in the food and agricultural labor force for the period 1980-1985. The shortage at the Ph.D. degree level is of greatest concern with many universities and research centers experiencing great difficulty in locating teaching faculty and research scientists in agricultural disciplines. The problem is also evident at the Federal level and T.B. Kinney, Administrator of the Agricultural Research Service, U.S.D.A., has indicated a growing concern over the current and future supply of research scientists. Further evidence of USDA's concern is illustrated in the following summary statement from Science and Education Director, Anson R. Bertrand responding to a question from Senator Thad Cochran in a hearing before the Senate Appropriations Committee on March 9, 1982: "In summation, Mr. Chairman, we are going to be short of expertise in the years ahead unless this country finds some way to train more people at the advanced degree level." The problem is further exacerbated by the fact that within the next 15 years, over one-third of the present agricultural scientists will be retiring.

Our nation has the highest standard of living on earth. This is due in great part to an agricultural productive capacity which enables us to export nearly one-third of our products and provides a major portion of our nation's balance of payments; an agriculture which provides for our citizens a bountiful supply of high-quality nutritious food at reasonable cost; and an agriculture which is so efficient that less than 4 percent of our workforce is engaged in the actual production sector. Unfortunately, this small percentage of the workforce is often incorrectly defined as "agriculture," and it is important to emphasize, as stated earlier, that over 20 percent of our civilian workforce is engaged in our U.S. agricultural enterprise. Agriculture must be viewed as an irreplaceable national resource which, as we know, is dependent on research, education, and a steady supply of knowledgeable human resources for continued strength and productivity.

The long-existing Federal/State partnership which began with the establishment of the Land Grant System has played a major role in the agricultural success story,and the continued federal support for research and extension programs is essential. Likewise, it is critical that the Federal Government becomes more involved in the higher education component of the research-extension-education team. Obviously, scientific and professional expertise in the food and agricultural sciences is a basic resource without which it will be impossible to meet the challenges facing our nation in this and the 21st century.

Section 1403 of the "Food and Agriculture Act of 1977" established the Department of Agriculture as the lead agency in the Federal Government for the food and agricultural sciences and emphasized teaching as a direct mission of the Department. This congressional mandate was reaffirmed in title 14 of the "Agriculture and Food Act of 1981" (PL 97-98).

Section 1418:

"The Secretary shall promote and develop higher education in the food and agricultural sciences by formulating and administering higher education programs.

The Secretary may make grants to land-grant colleges and universities and to other colleges and universities having a demonstrable capacity to carry out food and agricultural teaching, for a period not to exceed five years -

- (A) to strengthen institutional capacities to respond to State, national, or international educational needs in the food and agricultural sciences;
- (B) to attract students and to educate them as needed in the food and agricultural sciences, and to attract needed professionals to provide for their professional improvement in the food and agricultural sciences;
- (C) to design and implement innovative food and agricultural educational programs; and
- (D) to facilitate cooperative agreements between two or more eligible institutions to maximize the use of faculty and facilities to improve their food and agricultural teaching programs.

Such grants shall be made without regard to matching funds, but each recipient institution shall have a significant ongoing commitment to the food and agricultural sciences generally and to the specific subject area for which such grant is to be used.

The Secretary may make competitive grants to colleges and universities for a period not to exceed five years -

- (A) to develop or administer programs to meet unique food and agricultural education problems; and
- (B) to administer and conduct specialized programs to attract individuals for undergraduate and graduate programs and to administer and conduct graduate fellowship programs to meet regional and national objectives in the food and agricultural sciences.

Such grants shall be made without regard to matching funds provided by recipients."

As indicated, the mandate that the USDA be the lead agency for higher education in the food and agricultural sciences is clear and firm commitments must be made to strengthen the long-term partnership between the USDA and higher education in land-grant and other institutions throughout our nation. Our state institutions of higher education will continue to be the source of expertise for the food and agricultural sciences; however, because of the shortages in several disciplines and the critical importance to our nation as well as its international programs, funds must be provided in the

FY83 budget to at least meet minimal needs to assure a continuing supply of expertise for industry and the public sector.

Although needs of higher education in the food and agricultural sciences are extensive, our Resident Instruction Committee,recognizing the need to reduce federal expenditures, is requesting that funds be appropriated in the FY83 budget for only two areas of highest priority.

The first is funding for graduate fellowships in areas where projected manpower shortages are most critical. Disciplines involved are agricultural engineering, agricultural marketing and finance, integrated pest management, human nutrition and crop productivity, which includes genetic engineering. In conjunction with the fellowship support is needed funding for strengthening institutional capabilities to respond to training needs.

The second priority is funding for the Office of Higher Education in the USDA to continue development of a national information system relating to expertise resources in U.S. food and agricultural sciences. This is essential to future planning which will provide a focus for institutions of higher education and a surveillance mechanism to avert crisis situations in expertise supply for critical areas. The program, which has been initiated and must be expanded, is entitled, "Food and Agricultural Education Information System." (FAEIS).

As indicated in the Division of Agriculture, NASULGC, Budget Committee request, funding for the needed Graduate Fellowships could be made available through Bankhead Jones funding at the authorized level of $12,460,000 and applied to meeting the objectives of Title 14. It is most important that the authorization language specify critical expertise need areas and that guidelines be given for 'superior' fellowships of at least $15,000 to attract high-achieving students to graduate programs. In addition to the Bankhead Jones funding, it is suggested that consideration be given to providing specific graduate training funds to the Agricultural Research Service, U.S.D.A., an agency which is currently experiencing problems in securing needed scientific expertise.

Food and agricultural expertise is a national resource which is essential to insuring the future of our nation and to staving off the potential chaos and disaster portrayed in the 'Global 2000' report to the President. It is imperative that the educational programs in our agricultural colleges and universities receive adequate fiscal support to enhance the quality of programs and to insure an adequate number of agricultural graduates at all degree levels to meet future manpower demands by industry and the public sector. Research, which is essential to progress, will not occur without creative and talented scientists. The mandate for support is evident.

PREPARED STATEMENT OF EXTENSION COMMITTEE ON ORGANIZATION AND POLICY

PRESENTED BY DR. TALMADGE C. DUVALL
DIRECTOR OF EXTENSION
UNIVERSITY OF GEORGIA

FISCAL YEAR 1983 EXTENSION BUDGET RECOMMENDATIONS

The Extension Committee on Organization and Policy (ECOP) which represents the Cooperative Extension Services of the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, Micronesia and American Samoa supports the Division of Agriculture of the National Association of State Universities and Land-Grant Colleges in recommending modifications to the FY 1983 Executive budget to achieve better balance among the USDA's Science and Education programs. We are especially concerned because Extension is the only overall program area targeted for reductions in the FY 1983 budget. In the austere economic climate that currently exists throughout the country, it is most difficult for the States and counties to make up the slack of the Federal government and the cooperative arrangement called for in the Smith-Lever Act of 1914.

Extension's education programs are largely developed at the local level. These programs address the needs of farmers, homemakers, small business people, youth, and local officials. Today Extension is making many efforts which assist farmers, small business, and families throughout the country with their financial management problems associated with our national economic crisis.

Our programs are relevant and timely. It is in this framework that I present our recommendations for adjustment of the Executive budget for FY 1983.

RECOMMENDED MODIFICATIONS

1. Smith-Lever 3(b)(c)--Concurring with the Division of Agriculture our principal adjustment recommendation is a seven percent increase in Smith-Lever 3(b)(c) formula funds to meet increased costs and minimize real program deterioration. This represents the net increase of $15,356,000 and is the top priority request of ECOP.

2. Smith-Lever 3(d)--Smith-Lever 3(d) item represents specific educational program areas that Congress has directed Extension to carry out. If these mandated programs are to succeed they too should receive the benefit of a seven percent increase. In addition, it is recommended that the three deleted programs (farm safety and urban gardening) be reinstated. The increase in EFNEP funds is critical as financial stress of families threatens their nutritional well-being. The farm safety and urban gardening programs have excellent records and should not be sacrificed.

3. Renewable Resources--P.L. 95-306, the Renewable Resources Extension Act of 1978 recognized the need for educational programs to teach private force and private and leased rangeland owners how to increase the production of renewable resources. Many of the renewable resource issues have already been identified by the Forest Service (FS) in the Resource Planning Act (RPA) and by the Soil Conservation Service (SCS) in the Resources Conservations Act (RCA). Renewable Resources Extension Education programs will provide the education component to strengthen the action programs of these other agencies.

We were most pleased when $2 million was appropriated in the FY 1982 budget to initiate the Extension Renewable Resources program. We request an increase of $1 million in FY 1983 so that it will be possible to more adequately address the needs of small wood lot owners, farmers and others.

4. Bankhead-Jones--ECOP concurs with the Division request of $12,460,000 for a graduate student recruitment and training program targeted for subject matter areas of greatest need. However, we would like to suggest that graduate fellowships be made available for graduate Extension education fellowships as well as for research.

5. Electronic Technology--All of ECOP's subcommittees responsible for program development in agriculture and natural resources, home economics, 4-H youth, and community development stress that the adoption of new electronic technology will contribute much toward providing information for sound decision-making, program Extension, and efficiency.

Individuals responsible for American agriculture must make decisions based on comprehensive and up-to-date information in order for this country to remain in the agricultural forefront. Farmers are increasingly dependent on the non-farm sector for equipment, fuel, fertilizer, and other inputs. This has resulted in an increasing volume of borrowed funds creating uncertainty in making business decisions and limiting cash flow. Farmers and their families also require information on production technology to efficiently produce crops and livestock. Direct delivery systems and inexpensive microcomputers now make computer technology readily accessible and affordable to farm families giving them advantages that in the past have been limited to large agribusiness firms. Over two million farm families are able to take advantage of this service. In addition to farmers and ranchers, computerized technology will help many other Extension clientele including homemakers, youth, local officials and small businesses.

A significant proportion of extension home economics past time is directed to families, financial management, and consumer related programs. Rising costs of credit, housing, energy, transportation, health care, and food cause serious problems for many families. The benefits of electronic technology in this area are both direct and indirect. Family economic stability can be enhanced. Improved farm income can result which in turn will contribute to the economic viability and stability of rural communities.

6. Positive Action--The August 21, 1981, report of the General Accounting Office dealing with Extension's mission and role contained two

major recommendations to Congress. One recommended an updated statement of the Extension Service's mission, the second recommended that oversight hearings be held on the Cooperative Extension Service to review current Extension programming and to consider and focus on the missions that Extension should carry out. ECOP is pleased to report that both recommendations currently are being carried out.

A joint USDA-NASULGC committee is now identifying and clarifying the issues relating to the mission and role of Extension. It is the goal of this committee to have its mission report completed by the end of this calendar year. Concurrently, the House Agriculture Subcommittee on Department Operations, Research and Foreign Agriculture is conducting a series of oversight hearings to examine Extension's mission for the last decades of the 20th century as well as the significant issues currently confronting Extension.

ECOP considers both of these actions as being positive forces in directing the future of the Cooperative Extension Service. The updated directive at a national level will make a significant contribution to the manner in which Extension moves forward with its programs to benefit the people designated as its target clientele during the balance of this century.

PREPARED STATEMENT

Presented by

Association of State College and
University Forestry Research Organizations

RICHARD A. SKOK, PRESIDENT

DEAN, COLLEGE OF FORESTRY

UNIVERSITY OF MINNESOTA

I am Richard A. Skok, President of the Association of State College and University Forestry Research Organizations (ASCUFRO) and Dean, College of Forestry, University of Minnesota.

ASCUFRO represents forestry research programs in the 60 eligible state colleges and universities participating in the federally funded McIntire-Stennis Cooperative Forestry Research Program. These insitutions comprise the principal state partners in the state-federal forestry research program effort. We are an affiliated organization in the Division of Agriculture of the National Association of State Universities and Land Grant Colleges (NASULGC).

Research in forestry and range, when given necessary support, has proven its ability to contribute new knowledge highly useful in solving problems and resolving conflicts that arise in the management and use of our forest and range resources. Such new knowledge can effectively increase our options in meeting the nation's growing needs for renewable resources from a fixed or declining forest and rangeland base.

The McIntire-Stennis Act passed in 1962 is an important instrument of policy in providing a base of federal funding that was specifically for the forest science programs of the public universities nationwide. McIntire-Stennis funds are distributed on a formula basis, as prescribed by law, to the 60 eligible participating institutions to conduct forestry research and to support the training of forest scientists. These funds are matched with nonfederal dollars by the participating research institutions. This Act and subsequent appropriations have enabled their involvement in research efforts directed toward forestry programs of regional and national importance and has brought them into closer program relationships with the Forest Service research units.

The McIntire-Stennis program was funded at $12.03 million in fiscal 1982. The universities participating in the McIntire-Stennis Cooperative Forestry Research program and represented by ASCUFRO along with the Forest Service account for most of the publicly funded forestry research in the nation.

In Title XIV of the Agriculture and Food Act of 1981, Congress cites the inadequacy of federal funding for forestry research and extension to meet the needs for managing, using, and increasing productivity of the nation's forest resources. In Title XIV, Congress also strongly reaffirms the state and federal partnership in the conduct of these forestry programs. These needs and principles are not supported in the fiscal 1983 Executive Budget proposed for forestry research in the U.S. Department of Agriculture.

We support a fiscal 1983 appropriation for McIntire-Stennis of $12.873 million, or seven percent above the current fiscal year. This is the level recommended by the National Association of State Universities and Land Grant Colleges (NASULGC) for McIntire-Stennis. The seven percent increase would enable us to maintain the existing level of research program effort in the face of rising costs, enable support of the current level of graduate research assistants, but would limit new program initiatives to reallocation from existing programs. Under President Reagan's fiscal 1983 budget, McIntire-Stennis funding would be reduced by 10.2 percent to $10.8 million.

The cuts in the forestry research budgets of the U.S. Department of Agriculture proposed in President Reagan's fiscal 1983 budget are of great concern to the 60 member institutions of the Association of State College and University Forestry Research Organizations (ASCUFRO). Should these proposed cuts be realized they will seriously set back forestry research currently underway and the additional efforts that have been planned.

The 60 McIntire-Stennis forestry research organizations will receive an estimated $60 million of research funding from all sources in fiscal 1982. For every dollar of McIntire-Stennis federal funding of forestry research at the forestry schools nationwide, an average of four (4) dollars of non-McIntire-Stennis funds support research at these same schools. This results in a leveraging effect through this modest investment that has encouraged a degree of planning, coordination, and direction in forestry research that would not otherwise exist. In addition it has enabled the nation to tap into the brain power of more than 800 scientists for national purposes at a small cost.

More than 600 graduate students are being supported on McIntire-Stennis funded projects during the current fiscal year as research assistants. Many of these could be the future forest scientists in industry, public agencies, and the universities of this nation. The opportunity to participate in such ongoing research during their training is of immense value to the development of these students. Reductions in programs such as McIntire-Stennis, whether through failure to keep pace with the inflation of recent years or through actual decreases in appropriations, cut most harshly at the support of graduate students. This results primarily because of the more fixed nature of most of the other costs associated with these research programs.

The USDA 1983 Budget Summary indicates a de-emphasis in Forest Service research oriented to the needs of nonindustrial private forest landowners. These owners have nearly 60 percent of all commercial forest land in the United States. The ownerships are in small acreages across the United States, but especially numerous in the eastern part of the nation. The McIntire-Stennis Cooperative Forestry Research Program is carried out through a pluralistic and decentralized system of universities nationwide. These universities are well situated to pick up the slack in research directed at needs of the private woodland owners if the resources are available.

We had hoped a modest beginning was made on the Renewable Resources Extension Act with the Congressional appropriation of $2 million in fiscal 1982. Rescission has been proposed for these funds. We ask your support in opposing such action and in seeking $3 million for this program in fiscal 1983. This is the level recommended by NASULGC and supported by ASCUFRO.

We recognize the current difficulties with deficits in the national budget and the deep recession in the economy. We believe, however, that such a modest investment in the future as called for in our proposal for forestry research and extension is justified. It seems self-defeating in the long term to under invest in these programs which hold the promise for sustaining and creating jobs in the forestry sector and to achieving a balance in the economic, environmental, and social benefits from the forest resources of the United States.

We ask your support in addressing these program needs in the fiscal 1983 Executive Budget.

PREPARED STATEMENT OF MORTIMER H. NEUFVILLE
ASSOCIATE DEAN
LINCOLN UNIVERSITY

Mr. Chairman and members of the Senate Appropriations Committee:

I appreciate the opportunity to testify before you on behalf of State Universities and Land-Grant Colleges.

My name is Mortimer Neufville and I am from Lincoln University in Jefferson City, Missouri. My specific role here is to represent the Cooperative Extension component of the 1890 Land-Grant Universities and to strongly support our budget request for fiscal year 1983.

The Cooperative Extension Service was created in 1914 as a cooperative effort between the Land-Grant Universities and the U.S. Department of Agriculture through the enactment of the Smith-Lever Bill. This cooperative effort was, however, not officially extended to the 1890 Land-Grant Universities until 1971 when the first federal funds were appropriated to these historically black institutions. Currently, very few 1890 universities are receiving state appropriations to help with their extension mission.

The cooperative extension programs at the 16 historically black land-grant universities and Tuskegee Institute cooperate with their respective 1862 counterparts to provide an effective network of informal education to help people help themselves.

The primary thrust of the 1890 program is to improve the quality of life of limited resource individuals, families and communities.

The 1890 extension programs assist individuals, families and communities in resolving their various socio-economic problems. The clientele we serve are from diverse ethnic, economic and social backgrounds. Programs for this diverse group are sometimes difficult to accomplish and require diligent work and face-to-face contact. We are unique in our efforts in that very few organizations effectively work with such a clientele group in the areas of agriculture and natural resources, home economics, community development and youth development. Our uniqueness also makes us nonduplicative but rather complementary to our 1862 counterparts.

In most 1890 universities the federally funded cooperative extension program is the only outreach arm of the university. The cooperative extension program provides a linkage between the research laboratories and the clientele we serve. This ensures researchers of an early awareness of problems as well as facilitating transfer of new technology to the field.

The appropriation request for the 1890 universities will be used for inflationary adjustment, extension faculty quality improvement, restoring competitive salary schedules, increased acquisition of equipment to improve our output of educational materials and, in general, increase and improve our program delivery as well as expand our clientele base.

As we approach this era of austerity, the role of the 1890 universities will be of great significance because of our ability to reach those with limited resources. We will continue to stress the functional aspects of education by providing practical information to individuals and families in the areas of agricultural production, home improvement and management, career development and youth motivation.

During the past three years we have seen a gradual increase in the population of rural America. It is of significance to note that 90 percent of the extension programs emanating from 1890 universities and Tuskegee Institute are directed toward small towns and rural communities. It is imperative that adequate funds be provided for these universities to continue these effective programs which foster economic growth and human development.

The 1890 Land-Grant Universities and Tuskegee Institute currently employ a total of 254 professionals, 313 paraprofessionals and 104 support staff members to effect their extension programs. Approximately 95 percent of the FY '82 budget allocation for extension programs at the 1890 universities came from federal appropriations, 2.4 percent came from state appropriations, and 2.6 percent came from other sources. It is, therefore, quite evident that the continuation of these effective programs is completely dependent on federal appropriations.

During Fiscal Year 1981, the 1890 extension programs reached a total of 862,458 individuals and groups. By program areas these are:

Agriculture and Natural Resources	168,573
Home Economics	269,450
Community Resource Development	55,600
4H and Youth Development	368,835

The racial composition of our audience contact was 62 percent blacks, 35 percent whites and 3 percent Asians, Hispanics and American Indians. Reaching most of the clientele we serve requires individual contact and nontraditional program delivery techniques. Most of our clientele are not reached by the usual group meetings, television programming or agriculture field day events but by on-site demonstrations with numerous home visits. Without the 1890 universities these clientele groups would not be reached and they are in need of the greatest amount of help for survival in the 80's.

In reaching these limited resource audiences, emphasis is placed on teaching survival skills using a family or community approach to improve the economic and social levels and opportunities. Most of the direct contact is achieved by using paraprofessionals who are indigenous to the community. Some of the programs being delivered by the 1890 universities to the clientele group include small farm programs, home gardening and home improvement programs, small fruit and tree nut production, rabbit and feeder pig production, dairy goat production, poultry production, farm management planning, direct marketing programs, catfish demonstration projects, career development, 4H and youth development, consumer education, home management, family economics and management, family resource development, neighborhood improvement, human nutrition, consumer education for the elderly and preretirement planning.

With the current emphasis on agricultural productivity, it is important to note that a significant percentage of extension resources at 1890 universities and Tuskegee Institute have been expended on small farm programs. These universities have taken the lead in addressing the problems associated with land loss of the minority farm family as well as production on small family farms. An estimated 300,000 acres per year are currently being lost by limited resource and minority farmers in the South. By the year 2000, these farms will be nonexistent unless we continue our diligent effort to train these farm families so that they can improve their standard of living.

The small farm program at 1890 universities will continue to focus its attention on limited resource families living on a few acres who desire to stay on the farm and lead a productive and profitable life. This program includes the following emphases: growing a greater proportion of the family food needs, increasing family income through direct marketing of surplus produce, encouraging consumption of produce grown to improve the nutritional quality of the family's diet, assisting families with home improvement and home weatherization practices and encouraging families to adopt recommended farm and home record keeping systems. One 1890 university reported that in 1980, small farm family participants increased their income by over $1000. Fifty-six families in one program unit produced $11,200 worth of food and cost savings from home improvement practices was approximately $75 per month per family.

The extension effort at the 1890 land-grant universities and Tuskegee Institute is helping limited resource individuals learn to help themselves and be independent of federal and state programs that may come and go. What we offer these individuals and families is not money or food or housing but education, yes, education.

"Give a man a fish and he'll eat for a day; teach a man to fish and he'll eat for a lifetime." That is our motto. We are meeting a need that needs to be met.

PREPARED STATEMENT OF DR. HANDY WILLIAMSON, JR.

DIRECTOR OF THE COOPERATIVE AGRICULTURAL RESEARCH PROGRAM
TENNESSEE STATE UNIVERSITY
NASHVILLE, TENNESSEE

MR. CHAIRMAN, SENATORS, I AM GRATEFUL FOR THIS OPPORTUNITY TO SUPPORT THE BUDGET BEFORE YOU. I'M FROM TENNESSEE STATE UNIVERSITY IN NASHVILLE, AN 1890 LAND-GRANT UNIVERSITY. AS A MEMBER OF THE ESCOP, I REPRESENT ALL 17 OF THE 1890 LAND-GRANT UNIVERSITIES. THEY ARE LOCATED AS FOLLOWS:

> Alabama-Tuskegee Institute and Alabama A&M University; Arkansas-University of Arkansas at Pine Bluff; Delaware-Delaware State College; Florida-Florida A&M University; Georgia-Fort Valley State College; Kentucky-Kentucky State University; Louisiana-Southern University; Maryland-University of Maryland Eastern Shore; Mississippi-Alcorn State University; Missouri-Lincoln University; North Carolina-North Carolina A&T State University; Oklahoma-Langston University; South Carolina-South Carolina State College; Tennessee-Tennessee State University; Texas-Prairie View A&M University; and Virginia-Virginia State College.

FEDERAL FUNDS FOR RESEARCH BEGAN COMING TO OUR UNIVERSITIES ONLY RECENTLY. NOT UNTIL 1972 DID WE BEGIN RECEIVING REGULAR SUPPORT OF SUBSTANCE. IN THE 10 YEARS SINCE, EACH OF THE UNIVERSITIES HAS ESTABLISHED AN ONGOING AGRICULTURAL RESEARCH PROGRAM.

OUR PROGRAMS OPERATE IN CONJUNCTION WITH USDA PRIORITIES AND WITH RESEARCH BEING CONDUCTED AT THE 1862 UNIVERSITIES WITHIN OUR RESPECTIVE STATES. SOME OF OUR RESEARCH EFFORTS INVOLVE COLLABORATION WITH SCIENTISTS AT OTHER 1890 AND 1862 SCHOOLS. OUR RESEARCH IS INTEGRATED WITH THE NETWORK OF LAND-GRANT SCHOOLS, STATE DEPARTMENTS OF AGRICULTURE, THE USDA, AGRI-BUSINESS, INTERNATIONAL DEVELOPMENT, EXTENSION, AND THE MOST EFFICIENT INDUSTRY IN THE U.S. -- AGRICULTURE.

IN ADDITION, WE MAKE UNIQUE RESEARCH CONTRIBUTIONS AS A RESULT OF OUR TRADITIONAL CLIENTELE -- SMALL FARMERS, BLACK FARMERS, AND THE RURAL POOR. OUR SCIENTISTS REPORT THEIR FINDINGS IN SCIENTIFIC JOURNALS. ADMINISTRATORS AND POLICY MAKERS OFTEN CONSULT OUR SCIENTISTS FOR THEIR FINDINGS.

OUR LONG YEARS OF DEPRIVATION AND ISOLATION HAVE BEQUETHED TO US A UNIQUE

HERITAGE OF EXPERTISE WHICH IS BEING MAINTAINED AND IS INCREASINGLY RECOGNIZED AS VALUABLE TO SCIENTISTS AND POLICYMAKERS EVERYWHERE.

FOR EXAMPLE, WITH LITTLE OR NO FUNDS FOR RESEARCH, WITH A STUDENT BODY COMPOSED LARGELY OF SOUTHERN BLACK YOUTH FROM POOR FARM AREAS, OUR FACULTIES DEVELOPED SPECIAL RELATIONSHIPS WITH LOW-INCOME FARMERS AND THEIR COMMUNITIES. AS A RESULT, A LARGE PORTION OF THE NATION'S RESEARCH ON SMALL FARMS AND THE SMALL FARMER IS CONDUCTED AT THE 1890 UNIVERSITIES. TODAY, AS THE NATION'S LEADERSHIP BECOMES CONCERNED WITH THE SURVIVAL OF FAMILY FARMS, AND THE SURVIVAL OF RURAL COMMUNITIES, PEOPLE ARE LOOKING TO THE 1890 UNIVERSITIES FOR INFORMATION.

THE 1890 UNIVERSITIES ARE BOUND BY MORE THAN A LAND-GRANT SYSTEM. THESE SCHOOLS HAVE FOR THE BETTER PART OF THE CENTURY BEEN THE PRIMARY TRAINING GROUND FOR OUR BLACK SCIENTISTS. MOST OF OUR CURRENT GENERATION OF BLACK AGRICULTURALISTS ATTENDED ONE OF THE 1890 SCHOOLS. FOR MANY YEARS, THESE SCHOOLS WERE THE ONLY COLLEGES AVAILABLE TO AMERICAN BLACKS. THEY REMAIN THE MOST SUPPORTIVE INSTITUTIONS FOR RAISING THE EDUCATIONAL LEVEL AND OPPORTUNITIES FOR DISADVANTAGED BLACK YOUTH.

WHILE WE ARE JUSTIFIABLY PROUD OF OUR RESEARCH PROGRAMS, THERE IS A LARGE AREA OF RESEARCH WHERE WE ARE SEVERELY HANDICAPPED. MUCH OF OUR ACHIEVEMENT IN THESE TEN BRIEF YEARS OF FUNDING IS ATTRIBUTABLE TO THE DETERMINATION AND IMAGINATION OF OUR FACULTY: SKILL AT MAKING-DO WITH ANTIQUATED EQUIPMENT AND INSUFFICIENT SPACE: AND MAKING THE MOST OF HUMAN--AS OPPOSED TO TECHNOLOGICAL--RESOURCES.

BUT THERE IS A LIMIT TO THE KINDS OF RESEARCH POSSIBLE UNDER THESE CONDITIONS. OUR INSTITUTIONS HAVE BEEN UNABLE TO PARTICIPATE WITH THE 1862 LAND-GRANT INSTITUTIONS IN A BALANCED ATTACK ON THE AGRICULTURAL RESEARCH PROBLEMS IN OUR STATES. IN ORDER TO CONDUCT SOPHISTICATED LABORATORY RESEARCH, LABORATORIES AND EQUIPMENT ARE REQUIRED. THAT, IN BRIEF, IS WHY WE NEED THE SPECIAL INITIATIVE TO FUND FACILITIES AT OUR UNIVERSITIES.

TODAY, THE CENTRAL THRUST OF OUR REQUEST IS FOR THE CONGRESS TO APPROPRIATE FUNDS IN THE AMOUNT OF TEN MILLION FOR FISCAL YEAR 1983 AND TEN MILLION FOR FISCAL YEAR 1982 IN THE FORM OF A SUPPLEMENTAL. MR. CHAIRMAN, YOU MAY RECALL THAT FUNDS WERE IN THE FISCAL YEAR 1982 EXECUTIVE BUDGET ... BUT THE FEW HOURS OF LAG TIME BETWEEN THE SIGNING OF THE FISCAL YEAR 1982 APPROPRIATION BILL AND THE SIGNING OF THE FARM BILL OF 1981 LEFT THE FACILITIES PORTION OF THE FARM BILL WITHOUT FUNDS. ACCORDINGLY, OUR FIRST YEAR OF AUTHORIZED FIVE-YEAR FUNDING WAS LOST. THAT IS WHY WE ARE ASKING FOR THE SUPPLEMENTAL APPROPRIATION FOR FISCAL YEAR 1982 FOR SECTION 1433 OF PUBLIC LAW 97-98. MR.

CHAIRMAN, WE WOULD NOT BE OVERLY CONCERNED ABOUT THE LOSS OF ONE YEAR'S APPROPRIATION IF THE ASSESSMENT AND JUSTIFICATION OF OUR NEEDS WERE JUST BEGINNING. INSTEAD, WE HAVE BEEN MARCHING TOWARDS THIS TABLE SINCE THE EVENING OF 12 NOVEMBER 1976 WHEN THEN CONGRESSMAN FRANK EVANS OF COLORADO CHALLENGED THE 1890 COLLEGES TO TAKE A SERIOUS LOOK AT THEIR PRESSING REQUIREMENTS FOR AGRICULTURAL RESEARCH FACILITIES AND THEN BRING A PROPOSAL TO THE CONGRESS FOR HELP. A QUICK CALCULATION REVEALED THAT OUR MARCH HAS BEEN IN EFFECT FOR 1,963 DAYS AND TODAY'S INFLATION IS ERODING THOSE DOLLARS AT A RATE OF 1%/MONTH.

I AM NOT SEEKING SUPPORT FOR ONLY PART OF THIS BUDGET. I HEARTILY SUPPORT THE ENTIRE BUDGET BEFORE YOU. OUR NETWORK OF EXPERIMENT STATIONS AND EXTENSION PROFESSIONALS DELIVER THE LATEST RESEARCH FINDINGS TO OUR FARMERS AND AGRI-INDUSTRY. THIS NETWORK PRODUCED DISEASE-RESISTANT HYBRIDS, HERBICIDES AND PESTICIDES, AND INTEGRATED PEST MANAGEMENT SYSTEMS. IT DEVELOPED EFFECTIVE NO-TILL SYSTEMS THAT HELP PRESERVE OUR TOPSOIL AND SAVE OUR FARMERS PRECIOUS FUEL AND LABOR COSTS. CROPPING PATTERNS ARE TESTED AND RECOMMENDED. THIS NETWORK UNDERPINS THE ENTIRE SYSTEM OF THE WORLD'S MOST EFFICIENT AND PRODUCTIVE FARMS.

WITHOUT AGRICULTURAL RESEARCH, MODERN FARMING PRACTICES WOULD DISAPPEAR. OUR DISEASE RESISTANT GRAIN CROPS COULD NOT BE REPLACED WHEN THEY BECOME VULNERABLE TO EVER-ADAPTING PLANT DISEASES, WEEDS, AND BIOLOGICAL PREDATORS. AMERICA WOULD BE PRESSED TO MEET ITS OWN FOOD NEEDS. EXPORTS WOULD DROP.

WHERE WOULD THE DEVELOPING COUNTRIES TURN FOR HELP IN DEVELOPING THEIR OWN AGRICULTURAL SYSTEMS?

MODERN SOCIETY PUTS CONSIDERABLE CONFIDENCE IN SCIENCE AND TECHNOLOGY AS THE SOLVERS OF MAJOR PROBLEMS CONFRONTING THE WORLD. THROUGHOUT THE COURSE OF HUMAN HISTORY, HUNGER HAS BEEN THE MOST REAL PROBLEM CONFRONTING MOST PEOPLE. NOT SO SURPRISING, THEN, IN THIS AGE OF TECHNOLOGICAL ADVANCEMENT, MORE PEOPLE LOOK HOPEFULLY TOWARD SCIENCE TO SOLVE THE OWRLD'S HUNGER PROBLEM.

THIS HOPE, THIS IMAGE OF THE ULTIMATE GOAL OF SCIENCE, IS FIXED IN THE MINDS OF MILLIONS, HAVING GROWN FROM THE PRACTICAL RECOGNITION THAT FOOD ABUNDANCE IS A REALITY IN THE UNITED STATES. THIS DEVELOPMENT, STIMULATED LARGELY THROUGH SCIENCE AND EDUCATION, IS NOW RECOGNIZED AS PERHAPS THE GREATEST STEP FORWARD IN THE HISTORY OF CIVILIZATION.

SHIFTING ECONOMICS UPSETS OUR FARM SYSTEM DRAMATICALLY. AS YOU KNOW, HIGH INTEREST AND POORER MARKETS ARE SQUEEZING MORE AND MORE OF OUR FARMERS OUT OF PRODUCTION. THE FAMILY FARM IS AN ENDANGERED SPECIES. THE LEASING OF FARMLAND AND CORPORATE FARM OWNERSHIP HAVE RAISED SERIOUS CONCERN FOR PROPER USE OF THAT LAND.

THE ADMINISTRATION RECOGNIZES THE IMPORTANCE OF HELPING DEVELOPING COUNTRIES PRODUCE MORE OF THEIR OWN FOOD. THIS LAUDABLE GOAL REQUIRES THAT OUR LAND-GRANT SCHOOLS STUDY FOREIGN SOILS, WATER SUPPLY, CLIMATE, AND THE CONSTRAINTS OF POLICIES AND THE ECONOMY OF THE HOST COUNTRY.

IN SHORT, NEW RESEARCH NEEDS CONSTANTLY EMERGE. WE LAND-GRANT SCIENTISTS HOPE TO INCREASE OUR CAPACITY TO RESPOND TO THESE NEW CHALLENGES HERE AND ABROAD. YOUR SUPPORT FOR THE SPECIAL INITIATIVE WILL HELP US BUILD THIS RESPONSE CAPACITY. YOUR SUPPORT FOR THE RESEARCH PROGRAM WILL SUSTAIN OUR CURRENT EFFORTS.

PREPARED STATEMENT OF JACK J. STOCKTON, D.V.M., PHD., DEAN, SCHOOL OF VETERINARY MEDICINE PURDUE UNIVERSITY

I appear before you and speak in support of resources for agricultural research in general, and for animal disease research in particular.

There is a frequently cited analogy in academia which says: "Research is to teaching as sin is to confession. Without the former, there would be no need for the latter." As imprecise as this analogy may be, it does put the fundamental importance of research into sharp focus. As a nation with the resources and capabilities which we possess, and with the global responsibilities which we must assume, the United States cannot short-change the research effort. There are many things which characterize the differences among the nations of the world, and those nations which aspire to lead and to influence others must do this relying on the strongest research base possible.

One of America's strongest attributes, if not its strongest attribute, is the ability to produce food. Our agricultural industries are more productive by far than anywhere else in the world. There are several things which contribute to this, not the least of which is the educational element which includes research, extension, and the delivery of vital services. The nation has a long and proud history of federal-state cooperation and interaction in the agricultural sector, and our land-grant institutions stand as strong testimony to the fruitfulness of this relationship. Agricultural research has from the beginning been a cornerstone of these institutions and has largely been responsible for the enviable position we have attained internationally in terms of agricultural production. Times are changing. Since the late 1940s, less and less of our resources and support have gone for agricultural research, and we are paying the consequences. Bright young minds are being attracted to more lucrative pursuits and this trend cannot long obtain before serious consequences are irreversible. Research careers are not competitive with others in the marketplace.

It is true that in the biological schema, plants are more basic than animals. Plants are necessary for the maintenance of the biosphere--animals, including man, are not. However, the relationship between man and animals is far different than is the relationship between man and plants, and animals have been highly domesticated and cultivated to serve mankind's needs. Without animals, much of the nation's plant industries would have no reason to be. Both plants and animals are, and will continue to be, important in supporting and improving the human existence. Much of the human malnutrition problem extant in the world stems from deficiencies in animal protein intake and it has been repeatedly recorded that a dramatic increase in the consumption of animal food products occurs as one of the first expressions of increased affluence in a given population. From an economic standpoint, the relative cash income from livestock in 1980 in the U.S. exceeded income from crops by six billion dollars, yet annually, nearly twice as much is being invested in plant research as is available for research in animal disease and productivity. Productivity improvement closely correlates with research expenditures, and substantial progress has been made in plant productivity, while very limited progress is in evidence in animal productivity.

The only productive animal unit is a healthy one and the only profitable unit is a productive one. Animal health is central to animal production. It seems incongruous that in a nation which utilizes animals so extensively and so diversely, the first specifically designated funds to support animal disease research and to provide for the post-doctoral training of young veterinary medical scientists in its schools and colleges of veterinary medicine were authorized as recently as the 1977 Farm Bill (PL-95-113). This legislation authorized up to $25,000,000 annually to be distributed in a formula format. $15,000,000 was authorized annually for research on animal diseases of regional and national importance. Beginning in FY'79, funds have been appropriated as follows:

	1978-79	1979-80	1980-81	1981-82	(Executive Proposal) 1982-83
Formula (Sec. 1433)	$5.0M	$6.0M	$6.5M	$5.76M	0
Special/ Competitive	10.0	7.0	5.05	7.156	7.156
Totals	$15.0M	$13.0M	$11.55M	$12.916M	$7.156

While the appropriations *en toto* represent less than one-third of the total authorized amount, and while the full authorized amounts are realistic and could be used very productively, the monies appropriated have been effectively utilized. Interest in pursuing animal disease research is reflected in a simple statistic. Over the course of the first two years of the Special Grant Program (competitive format) the nation's colleges of veterinary medicine and the departments of veterinary and animal sciences responded by submitting 1,011 research proposals totalling $154 million. Only 145 (14.3 percent) could be funded with awards totalling $15.8 million (10.3 percent of requested amount). This is strong testament to the interest and desire on the part of veterinary medical scientists to engage in animal disease research. The research capacity is in place and can be made highly productive with reasonable assurance of a continuing supply of well trained young scientists emerging from the system if the resources being requested are forthcoming. The 97th Congress enacted legislation (P.L. 97-98, "Agriculture & Food Act of 1981") maintaining the $25M authorization level for formula funding (Sec. 1433 of P.L. 95-113) and increasing the authorization level from $15M to $35M for competitive funding (Sec. 1434) to address animal disease problems of regional and national importance. The intent of Congress in recognizing the importance of this effort is abundantly clear.

In relative terms, when compared with the cost of one B-1 bomber at $200 million, or only one M-1 main battle tank at $2.6 million, and the anticipated benefits to society, the amounts of money being recommended ($7.45M Formula = Sec. 1433 and $7.66M Competitive = Sec. 1434) are, to say the least, modest. Granting that in this context the amounts are small, in terms of what they are accomplishing and can continue to accomplish, they are spectacular! The pay-off on such expenditures will be improved animal production efficiency resulting from investigations and application of results in the areas of species modulation (embryo transfer-genetic engineering), immunogenetics, immunoprophylaxis, neonatal diseases, and complex production disease problems requiring a broad interdisciplinary approach.

The institutions which we represent are vital links in a national continuum which historically have had and currently have their fingers on the pulse of production agriculture. USDA's interpretation and implementation of the "New Federalism" appears to down-play the importance of this network and tends to favor the federal effort at the network's expense. It should be recognized also that the performance of research at the most basic, fundamental level is as much the responsibility and role of the university located research scientist as it is his/her counterpart performing in a federal laboratory. While it can be effectively argued that the federal animal disease research programs should be sustained, it should be pointed out that there is some distance separating those engaged in such research from the day-to-day production problems being faced, and that the federal programs are in no way designed, nor do they have the responsibility, to develop and produce the new veterinary medical research scientists which will continue to be needed.

The potential pay-off is so great for such minimal investment that failure to take the opportunity to press the advantage would be a serious mistake, essentially eliminating the momentum of effort generated over the past four years.

PREPARED STATEMENT OF NAURINE R. MCCORMICK
ASSISTANT DIRECTOR FOR COLLEGE OF HOME ECONOMICS
OHIO STATE UNIVERSITY

Home economics programs focus on helping families improve their quality of life. As families face the pressing problems of today, extension and other educational programs of home economics are especially important in providing assistance which contributes to preventing long-run effects of problems and/or enhancing their given situation. What I want to draw your attention to primarily, is the need for educational programs in home economics to be adequately supported by research if they are to be most effective.

The economic well being of rural (as well as urban) families is threatened by inflation, high interest rates, and the high cost of educating children. Women are an important part of the farm enterprise. In American Farm Women: Findings From A National Survey[1], farm and ranch

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Prepared by Elizabeth A. Elliott, Associate Dean, College of Home Economics, and State Leader, Cooperative Extension Service, Iowa State University, in collaboration with Francille Firebaugh, Associate Dean and Director, School of Home Economics, Ohio State University. Presented by Naurine R. McCormick, Assistant Director for College of Home Economics, The Ohio State University, Columbus, Ohio.

women were asked what the United States Department of Agriculture could do to help them. Help in changing existing inheritance procedures and estate tax laws in improved education and information programs and in giving greater recognition for the roles and economic contributions of farm women were needs emphasized. Home economics, through their ties with USDA and the land-grant university system, can address these needs.

The 1977 Food and Agriculture Act directed that new initiatives in home economics be undertaken. Initiatives identified are: family economic stability and security; food, nutrition and health; family strengths and social environment; and energy conservation.[2] All of these initiatives are important but family economic stability and security is our first priority.

To assure that families can maintain or improve their economic well being during economic stress and change, we need programs that enhance the family's ability to cope with inflation, income instability and other economic stresses, and to participate in group actions that can effect economic changes

Specifically, programs are needed to develop information about 1) the effect that family resource decisions made early in the family live cycle have on the family's future economic situation, and 2) how to optimize the family's real income through home-provided goods and services, home-based enterprises and paid employment. In Iowa, Ohio, and many other states, we are seeing increasing interest in women sewing for profit, in providing child care in the home for pay and in other home-based enterprises. There is also a need for families to assess the benefits and costs of regulations, market conditions and policy actions that directly affect their economic choices and well being. Individuals need better information to handle their economic responsibilities for management of real property, especially during periods of family transition.

We need to know more about the total contributions of farm women to the farm enterprise in order to provide information which helps them assess alternatives. Questions on the structuring of life styles that support the farm family in its entirety are complex. Farm women are attitude shapers. They have a great deal to do with whether or not their daughters and sons view agriculture as a positive choice for vocations, whether or not a small town remains vital, enriching the families who live in and work nearby. The phenomenon of a town job, farmwork and household chores adds to a climate of conflict, increasing the potential for breakup of farm families and a reduction in the pool of farm-raised new farmers.

An adequate level of living for farm families with sufficient stability through management of family resources is an important component of agricultural productivity. The economic well being of families is affected by their income management skills and their capacity to cope with economic reversals as well as the impact of social change on their own lives and the lives of others in their community.

As is true in agriculture, strong home economics programs in higher education and in Extension depend upon a research base which receives adequate and continuing funding. Research is needed to address the problems which affect family economic stability and security.

We urge your consideration of support for the FY 83 budget as presented by NASULGC. Continued formula funding and funding of special and competitive grants in areas related to home economics is important. We support a discretionary fund for use by the Secretary of Agriculture in high priority areas not receiving special grants.

References

1. "American Farm Women: Findings From A National Survey", NORC Report 130 prepared by Calvin Jones and Rachel A. Rosenfeld, 1981.

2. "A Comprehensive National Plan for New Initiatives in Home Economics Research, Extension and Higher Education", USDA, SEA Misc. Pub. No. 1405, 1981.

CONGRESSIONAL WITNESS

STATEMENT OF HON. J. JAMES EXON, U.S. SENATOR FROM NEBRASKA

ACCOMPANIED BY WILLIAM KREJCI, CHAIRMAN, TASK FORCE FOR OLD WEST REGIONAL VETERINARY SCHOOL OF MEDICINE

Senator COCHRAN. We are going to take one group out of turn, because my good friend from Nebraska, Senator Exon, is here with friends and associates of his.

Senator, we would like for you to come up and introduce your colleagues who are with you from your State.

Senator EXON. Mr. Chairman, thank you very much. We appreciate those warm words of welcome.

I am very much interested in the testimony presented to the subcommittee from the gentlemen, who I presume, were from Mississippi.

In order to work in solving our problems domestically in agriculture, we are toying with an idea in Nebraska to make a proposition to Mississippi in order to cut down some of the surpluses we have. We are thinking, Mr. Chairman, about curtailing or eliminating totally our rice planting and production in Nebraska if you would do the same with soybeans and corn in Mississippi. [Laughter.]

Senator EXON. Just to start this hour on a positive note, and to show we are willing to make some sacrifices in Nebraska.

AGRICULTURAL ECONOMY

Speaking seriously, I wish to echo the major concerns that were expressed by the previous witnesses. I could tell you that things are very, very serious out there on the family-size farms. With the help and guidance, with the good people on the Appropriations Committee and on the Agriculture Committee, such as the chairman of this subcommittee, hopefully we are going to make some strides.

I would simply say in some of these areas that give us major concern is the fact that, I think, we must first be realistic. When we talk about expansion of foreign trade—everybody is talking about that today—I would simply point out to the subcommittee, Mr. Chairman, that we seem to have some surpluses of agricultural products among the basic production countries all over the world. I noted with great interest an article in the Washington Post within the last 2 weeks that for the first time in history some 60,000 to 100,000 French farmers marched on Paris, France, protesting low agricultural prices.

The chairman has referred to the restrictions placed on our imports in the Common Market countries and in Japan. It seems to me while we must press ahead on this matter of exports, we better understand that is not going to be an easy or instant solution to our problem. Our farmers, many of whom are hanging out there by a thread now, should not be misled.

The chairman indicated that less than 1 percent of the loans were being foreclosed by the Farmers Home Administration. While that is true, the delinquencies are up a great deal, and I am concerned, Mr. Chairman, that while foreclosures have increased, they have not increased as drastically as some might anticipate. I still feel in some areas of the country there is less than the sympathetic approach being taken. There are other ways that you can close out a farmer other than foreclosing on him. And I can tell you with the near-record number of farm sales, at least since the Great Depression, that are taking place in Nebraska today, we are a long way from out of the woods.

Certainly, the chairman put his finger on it. With all the other problems we are seeing in agriculture today, the highest real interest rates seem to be the final nail in the coffin for any farmer or small business that is heavily leveraged today. And I am hopeful to do something about that.

OLD WEST REGIONAL VETERINARY SCHOOL

Mr. Chairman and members of the subcommittee, I very much appreciate this opportunity to be here this morning to present testimony on behalf of the Old West Regional Veterinary School, which I have been personally involved in since the 1970's. During my term as Governor of Nebraska, I became increasingly alarmed with the different problems being created by the insufficient number of veterinarians, especially in large animal care, in the major livestock-producing States of the Old West Region—Nebraska, North and South Dakota, Montana and Wyoming. Furthermore, students interested in pursuing a career in veterinary medicine were forced to obtain their education outside the area, and as a result fewer students returned home after their taxpayer or subsidized education was completed.

These concerns were communicated to other Governors in the region, and we agreed to authorize a study to analyze how best to address these problems. The conclusion of the study was to pursue a regional veterinary school based on the conclusive findings that were indeed proven that such a facility should be built. After determining the need for the school of veterinary medicine, which was just confirmed by a USDA study, our next course of action was to select the site. A professional survey was completed in the five States which showed that the University of Nebraska in Lincoln was the best suited place for the school. This was primarily due to its proximity to the necessary diagnostic laboratory and livestock handling facility, as well as other factors such as adequate land for construction of a complete animal research center located to the west of Lincoln in Clay County, Nebr.

Mr. Chairman, last year the Department of Agriculture was asked to conduct a feasibility study for the proposed Old West Regional Veterinary School, and it was done. In December, 1981, Secretary Block released the findings of this study. The results confirmed what we in the region had known for some time, that there was a very definite need for a school of veterinary medicine. The USDA study cited the fact the Old West Regional Commission, which was the first one involved in this, and the States represented therein contribute 11.2 percent of the Nation's total cash receipts for livestock and related products and has no program for veterinary medical education. Furthermore, it was reported that such a college would ensure sufficient large animal veterinarians for this enormously important livestock-producing area of the Nation, which will continue to be underserved without the college of veterinary medicine. Unfortunately, notwithstanding the findings of this report that confirm a need for the school, the President did not recommend Federal funding for this fiscal year.

This brings me to the fiscal investment which will be required if we are to see this facility built. In 1979, the Nebraska Legislature passed legislation which authorized the University of Nebraska to proceed with a regional veterinary school, assuming at least two Old West States would participate and at least 50 percent of the funding would come from the Federal Government. In 1981, the Nebraska Legislature, despite serious budget problems, appropriated $14.6 million toward the veterinary school. Furthermore, this bill required $2 million of the $14.6 million to come from voluntary private donation, which has not been completed. This veterinary college of medicine will require Federal matching funds totaling $13,381,000 over the next 5 years. Without the commitment of Federal dollars, the capacity to authorize commitment, along with that of the other interested States of the region, will expire and all previous work will be lost.

Mr. Chairman, I think it important to stress at this point that the amount being requested is estimated in 1983 dollars. Furthermore—and I believe this to be a crucial point as well—the Federal share of $13.3 million is a onetime request. Should there be cost overruns, the Federal Government will not be asked to provide additional dollars. Any overruns will be handled by the other parties involved. Seldom, Mr. Chairman, has such a reasonable proposal been advanced by any group seeking Federal assistance.

Mr. Chairman and members of this subcommittee, as you can see, this project has been through the rigors of close scrutiny by the State and Federal Government. It has the overwhelming support of virtually every agricultural organization in Nebraska. It has the necessary commitment from State and private groups. But the final decision which would take the college of veterinary medicine off paper and make it a reality rests with you. I strongly urge you to support our request for a Federal commitment of dollars for this school.

Mr. Chairman, to further underscore the need for this college, I have the honor of introducing Mr. Bill Krejci, who has been the cornerstone of the agricultural community in the pursuit of this project. He is a real live farmer who has left his corn planting at home to appear here today. Bill has been involved with this project as long as I, and he knows it personally, inside and out. I am very pleased to introduce him to this distinguished group and commend his testimony to your attention.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you very much, Senator Exon.

We welcome you, Mr. Krejci, to the committee and invite you to proceed.

VETERINARY EDUCATION AND SERVICES

Mr. KREJCI. Thank you, Mr. Chairman. I appreciate the opportunity to appear before you.

I am Bill Krejci from Fairmont, Nebraska. I have been a livestock producer and farmer for over 35 years. I appear before you to impress upon you the importance of improved veterinary education and services in the Old West Region of Montana, Wyoming, North and South Dakota, and Nebraska.

As Senator Exon has indicated, in the early 1970's, the Governors of these States appointed educational, academic and legislative committees in each of the Old West States to study and analyze a number of options to improve veterinary education and services. The study committees determined the best site for the veterinary college would be the University of Nebraska campus at Lincoln. There are many reasons for this. Nebraska has nearly twice the amount of total livestock in numbers and cash receipts from livestock products of any of the other States. We have a diagnostic laborabory, livestock holding pens, livestock isolation facilities which were at the time of the study under construction and are now in use. Land for the veterinary college adjacent to the diagnostic laboratory site is available. There are several outstanding agricultural field research experiment stations which are available for use in cooperation with the veterinary college. Also, as Senator Exon has mentioned, the Large Meat Animal Research Center at Clay Center is only 90 miles from the proposed site. And all the species of livestock are owned by the University of Nebraska.

LEGISLATIVE AUTHORITY

The Nebraska Legislature passed a bill in 1981 which would allow the region to proceed with a regional program, providing that at least two States participate with us and that there be a commitment on the part of the Federal Government for at least 50-percent funding. As of this time, all of the other States in the Old West Region have legislative authority to participate except South Dakota.

After Nebraska passed its law, a task force was assembled to promote the development of a regional veterinary college. This is a Nebraska committee made up of representatives from farm organizations in the State and an equal number of agribusiness leaders and other interested people. I was selected as chairman of this task force.

The task force then set out to influence legislation to fund Nebraska's share of capital construction costs. In 1981, a measure was passed through our legislature to appropriate $14,600,000 toward this goal, provided that three criteria be met: two or more States are to commit students to the proposed college; the Federal Government would commit 50 percent more funding; and $2 million be gathered to offset Nebraska's share of capital construction money from private funding. The Governor of Nebraska signed this bill in March of 1981. Our task force has since met with representatives of government, universities, and livestock organizations in each of the Old West States.

Wyoming at this time has obligated student slots for the proposed college. North Dakota is very interested and is continuing a feasibility of needs study, but we have been well received and assured support. South Dakota at this time has not committed but does not wish to be left out. They are well aware of the program. A group of us have met with the South Dakota appropriations committee, their legislative committee, and also with their board of regents several times. They also have an agriculture unity group in South Dakota that is very astute about what the needs are in their State, and they are supportive of this program. Montana has many supporters, but as yet, we have only visited with their livestock organizations.

Truthfully, most of these States do not wish to jeopardize their student slots with veterinary columns until the outcome from Washington is known. The second part of our bill is to secure the bill from Washington. The $2 million in private donations is in high gear. We have now $1.7 million in donations and pledges.

FUTURE OF LIVESTOCK INDUSTRY

Our task force has been made aware of projections in the next 10 to 20 years that the livestock industry will increase 20 percent in our region. This will be due mainly to the shift of some of the large feed lots and other livestock facilities from the areas around the Texas Panhandle. Our area has an abundance of water available, and theirs is being depleted. Energy costs are making it more desirable to bring livestock to our area where most of the grains are available and will continue to be produced, and it is cheaper to haul livestock than vast amounts of grain to the livestock.

We now produce 11.2 percent of the Nation's total cash receipts from livestock and related products, as Senator Exon has indicated. We have 17 percent of the Nation's cattle, 11 percent of the Nation's swine, and 25 percent of the Nation's sheep in our area, and only 4 percent of the Nation's veterinarians. Even though we can produce this 11.2 percent of the Nation's total cash receipts for livestock, we still lose 15 percent of the total livestock due to death and disease. This loss amounts to $1.1 billion a year. A 2-percent reduction in loss, for instance, would increase returns by $22 million.

A regional veterinary college would greatly enhance the opportunity to obtain funds for animal health research. At the present time, adjoining States that have veterinary colleges attract research grants at the ratio of five to one times greater than any one of our States does.

USDA FEASIBILITY STUDY

In December 1981, the USDA conducted a feasibility study on the proposed Old West Regional College of Veterinary Medicine. My statement that you have indicates USDA's findings, and Senator Exon has indicated what they found. The summation of this study is that it is appropriate to recommend Federal funding for the college.

In conclusion, I would say that we in Nebraska have already committed a great deal of money to this program, the diagnostic lab and its facilities, plus the land for the building site which has been appraised at $12.5 million. We have $1.7 million in private money of the $2 million necessary. And we have strong indications of participation by the Old West States, not to mention interest by Arizona, New Mexico, and Nevada, who have similar livestock health and disease prevention needs. Our legislature has committed itself to $14,600,000. We feel that your investment and commitment of $13,381,794 is as solid as anything that has been asked for. It will be for the good of the entire Nation, not only our region. As Senator Exon has indicated, there will be no other moneys requested. Operating expenses will be taken care of by the States and people involved.

Now, I have to make note of the last paragraph of my statement which you have before you, where in the third line it says, I am "delighted to ask you" for these moneys. That was supposed to say "delegated to ask you." Although I am delighted to be here, I am delegated to ask for this money by my task force and by Nebraska and that region.

I would like to thank you very much. And I think if we could initially be able to start architectural and engineering planning on this thing and get the commitment, we would be very appreciative of this effort.

Senator COCHRAN. Thank you, Mr. Krejci. We appreciate your statement.

Again, we want to thank Senator Exon for being here. I remember having the pleasure of visiting with representatives of the Nebraska Cattlemen's Association when they were in Washington earlier this year to discuss this proposal. I also recall Congresswoman Virginia Smith having talked with me on more than one occasion about her concern, interest, and support for this project. She has been very conscientious in bringing this to the attention of the House committee, as well as to this subcommittee.

I realize USDA has confirmed the need for the veterinary medical school. We asked USDA specifically about this project when representatives of the Department were testifying before this subcommittee at our hearings last month. While the need has been confirmed, they did not make any specific request for funding. You have my assurance the subcommittee will review your request very carefully, and I hope that we can find some room in the budget for it.

Thank you very much for being with us.

Senator EXON. Mr. Chairman, if I may add one thing before we leave. We appreciate your remarks.

Mr. Krejci and others have been following this very diligently. I would emphasize two things. When the committee looks at the funding, I know it is going to be tough in this budget. But I think the proposal that has been made by Nebraska is somewhat unique because of the reasons I outlined. We are not asking for continuing, ongoing appropriation. We are not asking for money to handle the administration or to organize the training. And last but not least, while there are many good schools of veterinary medicine, there are not enough. I would emphasize that while this is designed to be a fully accredited school of medicine, it is probably the only one that will have a specialty or have a bend toward large animal veterinary medicine, which is one thing that, we think, has been somewhat lagging despite the many excellent schools that generally serve this area.

Mr. Chairman, on behalf of Nebraska and Mr. Krejci, I thank you very much.

Senator COCHRAN. Thank you, Senator.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM KREJCI, FAIRMONT, NEBR.

Mr. Chairman and members of the Senate Appropriations Subcommittee on Agriculture.

I am William Krejci of Fairmont, Nebr. I have been feeding and producing livestock and farming for over 35 years.

My reason for appearing before this committee is to impress upon you, as members, the feasibility and need to improve veterinary education and services in the Old West Regional States of Nebraska, North and South Dakota, Montana and Wyoming.

In the early 1970's the Governors of these five States appointed educational, academic and legislative committees to study and analyze a number of options before arriving at the decision to recommend further development of the presently proposed regional veterinary education program. Careful analysis of all available data from a number of sources concluded that this proposed program would serve the best long-term interests of the individual States of the region.

With these conclusions the study committees indicated that sufficient information and data were available to allow final consideration by the respective academic and legislative bodies of the States involved.

In 1979 Nebraska's Legislature passed a bill to allow the University of Nebraska to proceed with the regional program assuming at least two States participate on either a full participation or contractural arrangement and secure a commitment of at least 50 percent or more Federal funding for capital construction.

Wyoming also passed a bill providing authorization for the University of Wyoming Board of Trustees to enter into agreements for a regional veterinary education and services program. The bill authorized the University of Wyoming Board of Trustees to enter into agreements with the governing bodies of other universities of States for the purpose of providing for a regionalized veterinary medical education and services program. Final agreement must be approved by the Wyoming Legislature.

In North Dakota, a bill was passed authorizing the State Board of Higher Education to enter into agreements providing for a regional veterinary education program.

The Montana Legislature determined that the governing board of Montana State University now has the authority to enter into negotiations with other universities under existing statutes.

South Dakota at this time has no legislation to consider the Regional Veterinary Education program.

During the year 1979, I was selected to serve as chairman of a committee to develop the Regional College of Veterinary Medicine in Nebraska. The aforementioned study committees determined that the very best site for the college would be on the campus of the University of Nebraska. One of the most important reasons for this site selection was because a diagnostic laboratory, livestock holding facilities and livestock isolation facilities were being built and today have been in place for 4 years. Also there is adequate land for a college to be built near the diagnostic laboratory. Also the Meat Animal Research Center at Clay Center, Nebraska is only 90 miles from the University of Nebraska at Lincoln. The livestock at M.A.R.C. are owned by the University which would allow a great deal of research to be coordinated with M.A.R.C. personnel in livestock disease.

My committee is a large committee because we have the leaders of every farm organization in the State as members plus a large number of agri-business leaders and other interested people.

With Nebraska being selected as the site for the college my task force made it our goal to pass legislation to fund the capital construction costs of the College of Veterinary Medicine. In 1981 the Nebraska Legislature appropriated $14,600,550 toward establishment of the Old West Regional College of Veterinary Medicine. This included $9,821,994 that would be reimbursed without interest, to Nebraska over a period of 30 years in the form of facility fees assessed for students from other participating States. The appropriation bill also requires $2 million from private donations for the construction budget.

Old West Congressional delegations are now asking for the Federal Government to appropriate approximately $13,381,794 in matching funds for the initial construction of the college, as authorized by Section 1415 of Public Law 95–113, the Food and Agriculture Act of 1977. An amendment to Nebraska's original bill (October 30, 1981) has deferred funding of the Nebraska appropriation for 1 year which will match the proposed schedule of payments for any Federal matching funds.

As mentioned before, $2 million was to come from private donations for the construction budget in Nebraska. I appointed a blue ribbon committee to secure these private donations. I am proud to say that to date we have collected and have pledges for $1.7 million and my committee tells me the total of $2 million will be no problem to reach. In fact the committee feels we will surpass $2 million.

The task force has been in contact with authorities and livestock association members in all the States of the Old West Region.

Wyoming presently is asking its legislature to fund slots for students who would enter the new college when completed.

North Dakota is supportive and we have been in close contact with their Board of Higher Education.

We have met several times with the South Dakota Board of Regents, Ag Unity Group and the South Dakota Legislature's appropriation committee. At present, South Dakota's legislature has not indicated that it will fund student slots for the proposed college.

Montana livestock associations have been visited with and they show a real sincere interest in the program and hopefully will be involved in legislative efforts to fund student slots.

At the present time the region realizes from sale of livestock and livestock products $7.4 billion annually. Projections are that the livestock industry will increase 20 percent over the next 20 years. These projections are due to the ready availability of water and livestock grains. It is cheaper to move livestock to the grain producing area for feeding because of energy costs. The Texas Panhandle areas are depleting their ground water and it is assumed less grain will be produced there. To add to our need for veterinarians the leading States in livestock production other than Nebraska are: Texas, California and Iowa which have twice the cash receipts from livestock and livestock products yet have three times more veterinarians than the Old West Region. Wyoming for instance projects that they will need 195 additional veterinarians by the year 2000.

Animal health research funds are received by States that have colleges of veterinary medicine at a ratio of 5 to 1 and we are comparing the entire Old West Region to any one State.

In summary, Nebraska already has in place the Veterinary Science Diagnostic Laboratory, livestock holding pens, livestock isolation facilities and land for the proposed college which has been appraised at $12,500,000. We have $1.7 million of the $2 million needed from private sources. Nebraska's legislature has made the commitment to provide $14,600,550 for capital construction. Wyoming has asked its legislature to fund several student slots if the college of veterinary medicine is established, North Dakota is very interested, South Dakota does not want to be counted out and we have interest in the program from three States who are not in the Old West Region, yet have similar needs for food animal veterinarians. In December of 1981 the United States Department of Agriculture's Science and Education division completed a feasibility study for the proposed Old West Regional College of Veterinary Medicine. The study team found that 11.2 percent of the nation's total cash receipts for livestock and related products was contributed from the Old West Region which has 14.8 percent of the Nation's cattle, 10 percent of the swine and 22.6 percent of the stock sheep. They found that the veterinary manpower needs for the region would become short after the mid-1980's. Veterinary service needs, based on the region's ratio of large animal and mixed practice veterinarians to the number of cattle and hogs and cash receipts for livestock, would be necessary especially in Nebraska and South Dakota. There is support for the veterinary college from State officials, educators, industry leaders and private citizens in the States of the Old West Region.

Several factors tend to reduce the supply of large animal veterinarians namely preference to practice companion animal medicine, increased female enrollment in colleges of veterinary medicine who have a tendency to bypass food animal practices to favor other specialties, and a nationwide reduction of admission slots for veterinary students in existing schools.

The study team found that job opportunities for recent veterinary student graduates remain plentiful with each 1980 graduate receiving two job offers before graduation. Demand for educational opportunities remain strong. In 1980-81 143 students from the Old West Region applied for admission to existing veterinary colleges and only 70 were admitted.

In addition the proposed college would provide valuable, positive influences on research, postdoctoral and graduate education, extension, continuing education and on diagnostic, consultation and referral services.

Proposed construction costs and operating costs for the college are comparable to those of recently developed and developing colleges.

A regional need for livestock veterinarians has been determined. The proposed school would assist in meeting these needs.

The study team found it appropriate to recommend Federal funding for the Old West Regional Veterinary College.

As a spokesman for the livestock industry in Nebraska and as chairman of the Nebraska Task Force to Develop the Regional Veterinary College I am delighted to ask you and Congress to invest and commit to this feasible and important program for our region a sum of $13,381,794 over a period of the next 5 years.

COUNCIL FOR AGRICULTURAL RESEARCH, EXTENSION AND TEACHING

STATEMENT OF NANCY COLE, MAINE, ON BEHALF OF THE COUNCIL FOR AGRICULTURAL RESEARCH, EXTENSION AND TEACHING

ACCOMPANIED BY NORMAN MINDRUM

PREPARED STATEMENT

Senator COCHRAN. We will next hear from Nancy Cole and Norman Mindrum, representing the Council for Agricultural Research, Extension, and Teaching.

We welcome you to the subcommittee. I have a copy of your statement, and it will be made a part of the record in full.

[The statement follows:]

PREPARED STATEMENT

COUNCIL FOR AGRICULTURAL RESEARCH, EXTENSION AND TEACHING

Presented by: Ms. Nancy Cole, Maine
Mr. David C. Farley, Michigan (Author)
Mr. B. F. Smith, Mississippi

The Council for Agricultural Research, Extension and Teaching is composed of farmers, homemakers, business people and others who are the clientele of the nation's institutions of research and education, in particular the land-grant and 1890 institutions. Forty-eight States are represented on the Council with up to two members from each State. We serve in an advisory role to the administrators of the various programs for agricultural research at experiment stations throughout the nation and other research facilities, to the administrators or directors of the extension service, and to the individuals responsible for resident instruction at the various colleges of agriculture. We are organized with the cooperation of the Division of Agriculture of the National Association of State Universities and Land-Grant Colleges.

It is the position of our Council to endorse and support public expenditures for agricultural research and educational programs for the extension of knowledge to the users, as well as programs that enhance living conditions and standards for farm and rural people and people throughout the nation. Furthermore, we consider it to be appropriate and desirable to provide substantial Federal funding for these programs.

Our agriculture industry, with only about three percent of the nation's labor force as farmers, produces such an abundance of food and fiber that our own people enjoy the best quality diet purchased with a smaller percent of disposable income of any people in the world in the history of man. This remarkable feat has been made possible through extensive technological developments adopted by our farm producers and processors. These developments and adoptions have as their basis the research and educational institutions, our land-grant colleges, and the 1890 institutions across the nation.

Agriculture is one bright spot for America in the world market. While our nation is blessed with natural resources necessary for extensive agricultural production as well as a favorable climate in much of the nation, the might and importance of the industry are dependent on other factors, technological development being an important one. We must continue to develop new technology if we are to maintain our world market position. Two decades ago most Americans held the notion that products made in Japan were cheap handmade trinkets with little durability. What a change has taken place! Where in the world will similar changes take place to enable farm producers to out-compete American producers? Only if we maintain a commitment to those factors that have enabled the American agricultural industry to grow in magnitude and importance will we maintain our ability to sell significant amounts of our production into the world market. And only by selling to the world market can we share in meeting the needs of hungry undernourished people of the world.

It is known that the worldwide demand for food and fiber will increase throughout the rest of this century. It is anticipated that people of the world will seek a better quality diet which will include more animal products. In other areas of the world there have been examples of dramatic improvements in agricultural production. India, long riddled with famine, is now producing enough wheat to meet most of its domestic needs. This is a direct result of U.S. wheat research, advanced by Norman Borlaug at CIMMYT in Mexico, and subsequently adapted in India. Similarly, rice production in Asia has significantly increased as a result of research at the International Rice Research Institute in the Philippines. We in this nation have experienced approximately a twofold increase in crop yields since 1940, largely a result of technology. We know that there are substantial dividends for investments in technological developments in agricultural production.

The importance of agriculture is equal to, if not greater than, that of our national defense system. In regards to maintaining a strong competitive agriculture the Soviet Union and People's Republic of China are placing the highest priority on food production research with emphasis not only on output, but on stable production from year-to-year. We feel that the future of America can be no better than the future of the agricultural industry. It is within the national interest to provide public support for agricultural research and education.

While we know there will be demand for farm products, we should not take for granted the possibility that American agriculture will fill that demand without competition. In most recent years productivity on American farms has been plateauing. Some of the reasons for this plateauing are soil erosion, reduced soil organic matter, soil compaction, chemical residues, more less-productive land in production, increased pressure on prime land for non-farm uses, fewer options for water, fertilizer and pesticides, increased regulatory constraints, and DECREASED SUPPORT FOR AGRICULTURAL RESEARCH AND EXTENSION in real dollars. This plateauing is not the result of not having any remaining potential to realize from continued research and education.

While approximately half of the agricultural research in the United States is funded with private funds, we do not feel the nation should rely more heavily on this funding source. Furthermore, some necessary projects would never be undertaken were we to rely on private initiative.

Public funding enables researchers to work in areas that might be of significant public interest, yet where there might not be a reasonable means of return to the private sector. I am a producer of landscape material. We must have our plants certified to be free of harmful insects and disease before we can ship them. Not only do we have to control those insects that are harmful to our crop, but we must also control those that might not harm our crops but could be transported on our crop and would be harmful to other crops. In contrast to many farm entities, we nurserymen use relatively limited amounts of pesticides. Chemical manufacturers are not inclined to develop pesticides just for us with the extreme research required to obtain the normal labor clearance. Much of the research for development and registration of these minor use pesticides is done by the experiment stations through the IR-4 program. This is one instance where there is a need for public involvement through research and extension to assist producers of nursery stock.

Funding of food and agricultural research involves the expense to having "things" ready to go when research is required. Being prepared demands maintenance and replacement of research tools: flocks, herds, barns, feed, milking parlors, machinery, field stations, land, orchards, crops, irrigation equipment, and greenhouses. We see a need for consistent formula funding (Hatch Act) as these funds are the basis for maintaining research systems.

Benefits to farmers spill across county and State lines when we develop improved technology. Early acceptors and implementors benefit, but in the long run the true benefactor is consumers. Research benefits everyone in the supermarkets. Therefore, it is appropriate to maintain significant Federal funding.

Federal funds provide an element of Federal influence. This influence is in the form of coordination of efforts and results in minimizing duplications. Federal involvement also provides for upward and outward movement of information. The USDA Science and Education agencies--ARS, CSRS and Extension--are examples of effective Federal agencies. Further, CSRS and Extension are Federal agencies with relatively limited staffs that provide a valuable coordination of programs.

The Cooperative Extension Service is a vital aspect of the technological development system. It is through this system that new developments are introduced and demonstrated to producers. The extension agent is in a unique position because he has no vested interest in the promotion or sale of a particular product. We can tell you that extension agents have the respect of the farm producers of the nation. As the extension agent works with the farmer, he establishes a valuable understanding of the industry. This understanding enables him to deal more effectively in the classroom or laboratory.

While we support the research and education efforts that are directed to agricultural production, we also want you to realize that we support other programs of research and education that are part of the total system of the land-grant institutions. In farm situations and rural communities the business activities are often family oriented and controlled. The well-being of the family is as important as the economic condition of the business. Food and nutrition programs do make a difference. 4-H programs are important for the well-being and development of our youth. Programs of resource development are vital as we evaluate our resource needs for agriculture.

There is a continuing need to ensure the availability of well educated and trained scientists ready to conduct the research to extend agricultural technology. The scientists of industry as well as those on the campuses nearly all receive their training at our land-grant and 1890 institutions. There are severe shortages of agriculture engineers, genetists and agricultural economists. Bankhead-Jones funds help ensure a continuing supply of needed scientists.

The members of our Council can attest to the fact that there are many instances whereby lay clientele are given the opportunity to provide advice on program direction. The total system for agricultural research, extension and teaching is found by us to be one that is responsive to the needs of the people at the grass roots level, and consequently responsive to the interests of the nation. We believe that the formula funds are the best support for the system; however, special programs including competitive grants have a complementary role.

The next generation of researchers and teachers and demonstrators have some exciting opportunities. The results of their efforts can be even more dramatic than the results of the past. Researchers can keep American agriculture great with greater photosynthetic efficiency, improved biological nitrogen fixation, genetic improvement and cell fusion techniques, greater resistance to competing biological systems, more efficiency in nutrient uptake and conversion, reduction in losses from nitrification and denitrification, greater resistance to environmental stresses, and identification of hormonal systems and mechanisms, to mention but a few areas.

Chemically synthesized nitrogen fertilizer represents the largest single industrial input into agricultural production. One-third of the fossil fuel energy consumed in food production is for this use. Each pound of synthetic nitrogen fertilizer requires an input of 30 cubic feet of natural gas. When applied to the land much of this fertilizer can be lost to leaching by rain or to volitalization to the air. The amount lost will depend on variance in the weather. Consider the significance of research that will result in a crop such as corn fixing nitrogen from the air.

Solar energy is clean, renewable and non-polluting. Agriculture is the only major industry that directly depends on solar energy; we farm the sun. Plants are literally biological sun traps, and we ought to invest at least a few more of our resources to learn more about this magical process.

Our Council recognizes and agrees with the need to reduce government spending. However, we also recognize the dramatic returns available from investments in agricultural research and education. We are convinced that the commitment should be increased and that the Federal partner must participate in the increases. We hope that the future will have increases even more extensive than those proposed by the Administration.

Our specific recommendations include a seven percent increase in funding for the Hatch Act, McIntire-Stennis and Smith-Lever to maintain a constant level of real dollars for these programs. We urge increases in funding to the 1890 institutions to maintain their relationship with Hatch Act funding. We suggest a seven percent increase in Section 1433 Funds for Animal Health. Furthermore, we suggest reinstatement of fundings for farm safety and urban gardening. We also suggest that Bankhead-Jones authority be used to ensure adequate training for new scientists.

Senator COCHRAN. I will remind all witnesses, not just you but all, to be as brief as possible. I hope you can make a summary statement from your prepared remarks. We appreciate your being here. You may proceed.

CARET

Mr. MINDRUM. Thank you very much, Mr. Chairman. I am Norman Mindrum. I am a volunteer representing the Council for Agricultural Research, Extension and Teaching, known by the acronym CARET. Our council consists of farmers and homemakers, businessmen and educators, and other vocations. We are, Mr. Chairman, in this context all lay people and volunteers who are clientele of our land-grant colleges. We have two members per State that are in an advisory role to the administrators of the various programs for agricultural research at experiment stations and resident instruction at the various colleges of agriculture. Our council is organized under the auspices of the National Association of State Universities and Land-Grant Colleges.

Our council director, Mr. David Farley from Michigan, has filed our official testimony. Mr. Farley couldn't be here today because of illness in his family and he asked me to substitute for him. He wanted me to express his apologies for not being able to appear at this important hearing.

Also, Mr. B. F. Smith of Mississippi could not be here today as he, too, has illness in the family. Because of his long association with you, Mr. Chairman, he wants to extend his personal wishes and his personal thanks for all you have done for research and teaching.

Joining me today is Mrs. Nancy Cole, a member of CARET, representing Maine. Mrs. Cole is an articulate spokesman for this work and will be presenting the testimony. She has been working closely with the legislative process, particularly in extension.

Since you have heard the excellent testimony from the 1890 and land-grant colleges, I will not attempt to cover those things, nor the testimony of Mr. Farley. I merely wish to endorse the testimony of the college administrators. Our council is deeply concerned about some of the things Dr. Wise talked about so eloquently this morning. There are deep concerns, and I know you recognize problems that are being encountered at this time.

So we are concerned then about the long-term welfare of agriculture. We are concerned about production and efficiency. We are concerned that research not be interrupted. We are concerned that we continue to train competent agricultural scientists in America. We are concerned we continue to maintain a strong and viable program conducted by the cooperative extension service.

I think it is noteworthy that during the past 6 weeks some 900 lay leaders or volunteers have visited their congressional delegations about these matters that have been discussed here this morning. This is the record. This is the first time, to my knowledge, that as many lay people have been here to talk about these unique practices.

Finally, I want to express our appreciation to this committee for its support of these programs. In the difficult time of the economy, we hope our programs will be given high priority.

At this time I want to present to you our member, Mrs. Nancy Cole.

Senator COCHRAN. Thank you.

BUDGET PROCESS

Mrs. COLE. Thank you. Since I believe you when you say you are going to read Mr. Farley's testimony, I would like to submit a postscript and tell you a little bit about the process by which the budget was put together.

I think we have a rather unique situation in that this portion of the budget for the land-grant system was developed not only by the land-grant system—and you did meet our front line here today—we also have local input by people like myself. Maine is not one of our high-power agricultural States; however, we do have some wetlands that produce very good lobster.

But I have been involved in the budget process, initially with the cooperative Extension Service, from the National Extension Advisory Council to the legislative subcommittee that puts together the budget. Since we recognized as lay people and as staff people you can't separate extension from research and resident instruction, the Council for Agricultural Research Extension was formed, and the type of liaison that I have been working on with the extension committee is going to be repeated for resident instruction and research.

So I would like you to be very much aware this is the grassroots budget. It does represent the cares and concerns of people like myself throughout the country.

We are very pleased with the support we have had from your committee, and we would like you to know if there is any way we can get you more information for your deliberations, we would be pleased to do so.

Senator COCHRAN. I appreciate that very much.

The other day I had the opportunity to be in one of the counties in my State where they were having an agricultural fair, and one person came up to me in the early part of my visit and said, "I am very concerned about the proposed budget cuts in extension. I think that is going to have a crippling effect on our ability to do the things that are necessary to bring the benefits to technology and research down to farmers and others who take advantage of this information." And I thanked that person for telling me that, and I told him I would look at the extension budget very carefully before recommending action to the full committee.

Then later in the day, I ran into another person who worked in extension, and he said to me, "Don't worry about those cuts that they have put in the proposal that has been submitted to the Congress. Those cuts are being made in just the right places. We don't need the money in that area, but the crucial and essential areas are protected in the budget." I thanked him for his information, and basically told him the same thing I told the first gentleman who spoke to me.

So I have been getting mixed reactions at least from two individuals in my State. I worry about cuts in the extension program, but your comments and observations will be helpful to us.

What is your reaction to those two comments you heard in my statement?

Mrs. COLE. Well, obviously, I think we all recognize that not everyone is going to come through unscathed, and we are all going to have to have some cuts. I think it is interesting the two points of view came from two professional people. I think the budget represents not only the professional point of view, but also represents us lay people as well. I think the cuts that were proposed were where we felt we had to hit with the least amount of detrimental impact.

4-H PROGRAM

Mr. MINDRUM. I think the people I have talked to are concerned about the base funds—the Smith-Lever funds—and the need for some increase in those base funds because of the increased cost of doing business. I happen to be a professional 4-Her. I am concerned about the fact that we have nearly 5 million 4-H members in this country, and am wondering what will be the effect of not being able to keep up with inflation or making some cuts on the participation of these young people. I am proud we have strong participation. It costs about $15 per year—this is Federal dollars—which, I think, is a pretty good record. But I don't see how we can continue to reach young people and do the work we have been doing unless we have an increase in the base funding. I realize these budgets are complex, but I think the thrust of our testimony has been to increase the base funds—the Hatch Act, McIntire-Stennis, and Smith-Lever. This is what is essential to the ongoing program. That would be my reaction.

Senator COCHRAN. I appreciate having that information.

I am very supportive of not only the extension program generally, but particularly 4-H. As a former member of the 4-H Clubs, I have warm feelings for the work that is being done in that area.

Thank you both for taking time to be with us this morning. We appreciate your testimony.

PLANT GERMPLASM PROGRAM

STATEMENTS OF:

CHARLES F. MURPHY, PROFESSOR, NORTH CAROLINA STATE UNIVERSITY, RALEIGH, N.C.

ROBERT A. FORSBERG, CHAIRMAN, AMERICAN OAT WORKERS CONFERENCE, AND PROFESSOR OF AGRONOMY, UNIVERSITY OF WISCONSIN-MADISON

Senator COCHRAN. Next, we will hear from Charles Murphy, professor, North Carolina State University at Raleigh. Since the next scheduled witness is also interested in the same areas, I will ask Robert Forsberg, chairman of the American Oat Workers Conference, to also come up to the witness table at this time, and we will receive his testimony in tandem. The subject is plant germplasm—support of the germplasm program.

We appreciate both of you being here. Mr. Murphy, you may proceed.

Mr. MURPHY. Thank you, Mr. Chairman. I am here to talk about germplasm. I think it is something that is of pressing importance, but I will try to be brief.

I have submitted my written testimony, which I understand will be in the record. Additionally, I have submitted a copy of the long-range plan for the national plant germplasm system.

[The statement of Mr. Murphy and a summary of the long-range plan follows. The entire plan has been retained in the files of the subcommittee.]

PREPARED STATEMENT OF CHARLES F. MURPHY

PROFESSOR OF CROP SCIENCE

NORTH CAROLINA STATE UNIVERSITY

Mr. Chairman and Members of the Committee:

My name is Charles F. Murphy. I am a Professor of Crop Science at North Carolina State University. My profession is plant breeding. During 1981, I served on Dr. Bertrand's Program Planning Staff (later to become the Science and Education Coordination Office). My major assignment was to chair a task force which developed a long-range plan (LRP) for the National Plant Germplasm System (NPGS). The staff of this committee was in fact represented on the Steering Committee for the LRP-NPGS. My appearance today, however, is as a private citizen with strong feelings relative to the importance of the NPGS. I have submitted copies of The National Plant Germplasm System: I. Current Status (1980), II. Strengths and Weaknesses, III. Long-Range Plan (1983-1997) along with my testimony.

First, let me point out the importance of the NPGS. Germplasm resources are the foundation of plant improvement. The NPGS represents a continuum of activities which begins with the acquisition of needed germplasm, is dependent upon maintenance of collected materials, gains usefullness as the collections are evaluated, and reaches fruition as the collections are utilized by plant scientists. A detailed account of these activities is not appropriate at this time but I can assure you that these activities, while not particularly glamorous, are of the utmost importance and that they have been neglected too long.

Secondly, I would like to discuss the FY83 budget marks relative to the funding requirements identified by the Germplasm Task Force. The proposed increase of $3.8 million for germplasm research, in the current budgetary climate, clearly recognizes the importance of the NPGS. I would, though, direct the attention of the Committee to the budget requirements developed in the LRP-NPGS. An $8.0 million dollar increase in the recurring budget was considered necessary in FY83. I am especially concerned that the essential germplasm evaluation activities will be further delayed by inadequate funding. We are fortunate to have an information management system ready for implementation, but that system is dependent upon proposed evaluations to provide the information it will manage.

Finally, I wish to address the facility needs of the NPGS. The single most important working collection in the NPGS is the USDA Small Grain Collection (which includes more than 80,000 accessions). This collection is currently housed in woefully inadequate facilities at Beltsville, Maryland. The most immediately needed facility in the NPGS was recognized by the Task Force to be a new facility, at Aberdeen, Idaho (where material is periodically replenished) to house the USDA Small Grain Collection. To delay construction of this facility for even one year would not only fail to recognize this particular need but would also result in unacceptable delays for other NPGS facility needs which are anticipated in the following years, e.g., an addition to the soybean collection facility and an addition to the National Seed Storage Laboratory. Therefore, I respectfully recommend the addition of a $2.0 million dollar appropriation for the construction of a new USDA Small Grain Collection facility at Aberdeen, Idaho.

Thank you for your time and your attention. I will be happy to answer any questions you might have.

Charles F. Murphy

Charles F. Murphy

A SUMMARY

THE NATIONAL PLANT GERMPLASM SYSTEM

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Office of Technology Assessment (OTA) Representative (Informal)

Congressional Representatives (informal)
  Senate Agriculture Appropriations Subcommittee
  House Agriculture Appropriations Subcommittee
  House Agriculture-Department Operations, Research, and Foreign Agriculture Subcommittee

ACKNOWLEDGMENT

The Task Force and Steering Committee were assisted by Risë Pennell (S&E-SECO), who was responsible for administrative, editorial, and secretarial tasks necessary for the report's preparation and finalization.

EXECUTIVE SUMMARY

Crop productivity is essential to the economic and political well-being of this country. Improvements in crop productivity are dependent upon a strong base of agricultural research and education. Of specific importance are those areas of research which combine to provide the basis for the genetic improvement of important plant species. The foundation of that continuum of activities is the National Plant Germplasm System (NPGS). In the United States, responsibility for the collection, preservation, evaluation, and distribution of a broad array of germplasm and the awareness of the needs of researchers for introduced germplasm rests with the NPGS, a coordinated network of scientists from private, State, and Federal sectors of the agricultural research community.

The NPGS currently maintains about 500,000 accessions of germplasm in the form of seed and vegetatively propagated stocks. This wide array of genetic diversity is available without charge to any bona fide plant scientist in the United States, and it is also exchanged with countries around the world.

In an effort to strengthen the NPGS, generally, and to respond to specific concerns raised in reports from the General Accounting Office (GAO) and the National Plant Germplasm Committee (NPGC), the Director of Science and Education approved, in February of 1981, the formation of a Germplasm Task Force, and an appropriate Steering Committee, to formulate a long-range plan (LRP) for the NPGS. This document includes the three primary reports generated by the Task Force: I. Current Status (1980), II. Strengths and Weaknesses, and III. Long-Range Plan (1983-1997).

Current Status (1980)

The NPGS is a rather simple system composed of working, management, and advisory components. The activities of this system form a continuum from the time germplasm is acquired (through introduction, exploration, or from breeding programs within the system), through the maintenance and evaluation of the germplasm, and on through germplasm enhancement efforts and its ultimate benefits to the user community.

The major working components of the system are (1) the Plant Introduction Office (PIO), (2) the "working" collections located at one of four regional plant introduction stations (RPIS's) or with other curators (who handle such major crops as small grains, soybeans, and potatoes), (3) the long-term or "base" collections located at the National Seed Storage Laboratory (NSSL), and (4) the user community. Another critical component (5) which supports the system is an information-management system which is being developed by the Germplasm Resources Information Project (GRIP). When implemented, this information system will impact upon all working components of the NPGS.

The lead role in managing the NPGS is handled by the Agricultural Research Service (ARS), while much of the user community, and some curators, are in the State and private sectors. The Assistant to the Deputy Administrator for Germplasm (ARS) has the primary coordinating position for the NPGS. Those workers at State agricultural experiment stations may be funded by formula Federal funds (primarily Hatch) distributed by Cooperative State Research Service (CSRS), by State appropriations, by CSRS-administered special grants, by other trust or gift funding sources, or by ARS-administered cooperative agreements.

The advisory components play a major role in the NPGS. Most visible among these groups is the National Plant Genetic Resources Board (NPGRB), which offers policy advice directly to the Secretary of Agriculture. The NPGC offers policy advice to Federal and State administrators and provides technical guidance to the NSSL. Major sources of technical advice are the regional technical committees and the crop advisory committees (CAC's).

Strengths and Weaknesses

An effective long-range plan must attempt to capitalize on existing strengths and provide ways by which weaknesses can be corrected. The strengths and weaknesses identified herein may be summarized as follows:

Working Components

A. Plant Introduction

Strengths

- Procedure in existence
- Recognized need
- Strong exchange system
- Availability of genetic diversity

Weaknesses

- No apparent strategy
- Slow to react
- Lack of trained collectors
- Too few collecting trips
- Limited by regulation (quarantine)
- Problems identifying requested domestic material

B. Working Collections

Strengths

- Technology exists to have excellent facilities
- Collections within the system are secure
- Recognition of importance
- Heavy use
- Material is readily accessible
- Material is free to users

Weaknesses

- Inadequate grow-out procedures
- Lack of succession policy for some curators
- Inadequate facilities
- Insufficient descriptor information
- Redundancy among collections
- Seed viability not adequately monitored
- Curator role poorly defined
- Regional perspective of curatorial units
- Impact of Plant Variety Protection Act
- Omissions of domestic material in most collections
- Limited maintenance research
- Not all "major" collections have full-time curators

C. Base Collection

Strengths

- Effective seed storage
- Strong research program
- National recognition

Weaknesses

- Lack of space
- Coordination with working collections
- Effects of sample size and storage containers on space needs

D. Users of the NPGS

Strengths

- User community is diverse

Weaknesses

Lack of communication
Inefficient use of germplasm collections
Insufficient germplasm enhancement efforts
Genetic vulnerability not adequately assessed
Insufficient feedback from users

E. Information Management

Strengths

Information-management system is being implemented
Data are being processed

Weaknesses

Data not perceived as a system resource
Lack of perception of potentials of information management
Lack of descriptor information

Management Components

Strengths

Commitment of managers and operators of NPGS

Weaknesses

Unclear lines of authority
Autonomy of State programs
Curators lack technical guidance
Inadequate recognition of service activities
Lack of accountability

Advisory Components

Strengths

Creation of CAC's
Participation increases commitment

Weaknesses

Incomplete representation on key NPGS committees
Committee roles are poorly defined

Long-Range Plan (1983-97)

The first portion of this report presents discussion and recommendations intended to either correct operational and/or managerial flaws or to provide mechanisms to minimize the occurrence of such flaws. The second portion of the report addresses the budgetary needs of the system. Some of the primary thrusts which this document is intended to convey are to:

- (1) Clearly define roles within the NPGS and, thus, minimize opportunities for line/staff, State/Federal, or other conflicts.
- (2) Greatly improve communication within the NPGS.
- (3) Provide rather specific recommendations in some areas, especially some of those being addressed by the GAO.

- (4) Provide mechanisms to assure continued visibility of the germplasm program.
- (5) Recognize the continuum of activities within the NPGS and the importance of tight control and accountability in activities such as maintenance and evaluation; whereas activities such as germplasm enhancement and conservation of genetic diversity are more creative activities which demand less control.

Recommendations

A. Working Components

The current system of reviewing proposals for ARS support of exploration (first within regions and then nationally) has probably worked well as a system of review, but the associated concept of funding by regions is without justification. Acquisition of plant germplasm is a national responsibility requiring national attention.

- Rec. A-1--Funding for ARS-supported plant explorations will be budgeted through the Plant Exploration Office, which will be part of the Economic Botany Laboratory (EBL).
- Rec. A-2--Proposals for ARS funding of plant explorations will be solicited and reviewed by a new committee: the National Plant Exploration Committee (NPEC).
- Rec. A-3--Higher Education (HE) funded followships and/or strengthening grants will be utilized to satisfy training needs.

The PIO, the working collections, the NSSL, and the user community must interact smoothly and effectively if the NPGS is to function to its full potential. this interaction can be facilitated by the establishment of clearly defined, widely understood rules and relationships.

- Rec. A-4--The working collections will provide the primary interface with the user community.
- Rec. A-5--Regional plant introduction stations will eliminate duplications which exist between their collections. Working collections will include foreign acquisitions, domestic cultivars, and some advanced breeding lines.

- Rec. A-6--Working collections will include foreign acquisitions, wild relatives, and domestic cultivars, plus some advanced breeding lines.
- Rec. A-7--All accessions in working collections will also be cataloged and maintained at NSSL.

The size and/or complexitiy of some collections is such that they can best be handled separately from the RPIS's--potatoes and small grains are examples. These collections have individual curators, but they are an integrated part of the NPGS. Collections of a few other major crops are somewhat on the periphery of the NPGS. Specific recommendations for certain crops should serve as guidelines (to CAC's and the NPGC) for comparable situations which will most likely arise.

- Rec. A-8--One individual will have primary curatorial responsibilities for all collections of a given crop.
- Rec. A-9--A full-time curatorial position will be established for the soybean collection.
- Rec. A-10--One individual will be designated as a coordinator of the three cotton collections and planning will be undertaken to create a full-time curatorial position for cotton germplasm.
- Rec. A-11--Planning will be undertaken to create a full-time curatorial position for peanut germplasm.
- Rec. A-12--The sorghum CAC will closely examine the overall curatorial needs for sorghum.

The curators of the working collections are at the very heart of the NPGS. Their role must be clearly defined and the value of their contribution must be recognized and rewarded.

- Rec. A-13--Individuals assuming curatorial responsibilities (and responsible administrators) will enter into agreements of responsibility as outlined in the "Curator Role."
- Rec. A-14--The ARS Administrator will activate a task group with a charge that they recommend review procedures whereby those professionals with primarily management and/or service responsibilities can receive greater rewards and support.

While recognizing the unique characteristics of individual collections, there is a need for policy guidelines governing replenishment (grow-out) procedures and the monitoring of seed viability. The recommendations which follow are especially applicable to the larger working collections.

- Rec. A-15--Viability of seed stocks in working collections must be monitored to assure reasonably high germination for the period of the replenishment cycle.
- Rec. A-16--Accessions will be replenished on a regular schedule, with complete blocks of a collection being grown in a given year.
- Rec. A-17--The size of increase plots will be determined by the number of plants needed to maintain genetic integrity and by anticipated needs and costs.
- Rec. A-18--The replenishment schedule will be communicated to the user community.
- Rec. A-19--Technical decisions relating to the collections will be dependent upon consultation with the appropriate CAC and national technical advisor (NTA).
- Rec. A-20--Working collections will be responsible for all grow-outs, including those required by NSSL.

The security of the NPGS is dependent upon the policies and management associated with NSSL. The projected use of this facility will soon require expansion. There is an immediate need, however, for careful examination of several policies associated with the operation of this facility.

- Rec. A-21--The NPGC will provide recommendations for optimal use of space within the NSSL.
- Rec. A-22--The NPGC will solicit inputs from the Director of NSSL and from all identifiable curators in an attempt to reduce the number of seeds required in each NSSL storage sample.
- Rec. A-23--New accessions will enter the NPGS by being sent either to the PIO (foreign) or to the appropriate working collection (domestic)--they will not be entered directly through NSSL.

- Rec. A-24--NSSL will (either in-house or through contracts) assume all germination testing responsibilities for the NPGS.

Improved communication is a major need of the NPGS. No single communication instrument is likely to meet this need so it is imperative that all elements of the NPGS have a continuing motivation to search for effective means of two-way communication. The recommendations which follow indicate a few communication devices designed to meet some obvious needs--more will be needed.

- Rec. A-25--Curators of all working collections and the PIO will generate semiannual newsletters for mailing to their respective clientele.
- Rec. A-26--Curators will take maximum opportunity to include reports in commodity newsletters.
- Rec. A-27--A meeting of a new work group--the Association of Plant Germplasm Curators (APGC)--will be held annually.
- Rec. A-28--The Data Base Manager (DBM) will utilize all practical means to communicate the availability and potentialities of the Data Base Management System (DBMS).

Successful implementation of the DBMS is of critical importance to the NPGS. Some of the pending decisions relative to that implementation are both difficult and important. Since these decisions are being addressed by a broadly based GRIP Coordinating Committee, specific recommendations relative to the DBMS implementation are not included in this report.

- Rec. A-29--The DMBS will be implemented early in FY 1983, with sufficient financial support to assure the success of this critical element of the NPGS.

B. Management Components

A management system will probably be judged effective if the interrelationships between decisions are visible and coordinated and if it is readily apparent what kinds of decisions are made at what levels and upon what criteria.

- Rec. B-1--The ARS Administrator will reaffirm the leadership role of the Assistant to the Deputy Administrator for Germplasm and his involvement in budget development, program planning and review, and monitoring.

- Rec. B-2--Funding and coordination of germplasm evaluation will be through ARS. Cooperative agreements will be utilized to fund non-Federal projects.
- Rec. B-3--Germplasm enhancement efforts will receive support through both ARS and CSRS.

An interagency problem affecting the NPGS is the need for better coordination between ARS and APHIS in discussing such issues as central facilities, systematic quarantine procedures for crops such as corn and sorghum, and direct quarantine and indexing by clonal repositories.

- Rec. B-4--The Science and Education Coordination Office (SECO) will coordinate the development of an ARS/APHIS Germplasm Oversight Committee.

C. Advisory Components

The NPGRB advises the Secretary of Agriculture and it can play a vital role in providing important policy advice at the highest levels of USDA management. The NPGRB cannot hope to operate with full effectiveness unless it receives adequate staff support.

- Rec. C-1--The NPGRB merits and will receive at least half-time support from a dedicated staff position. This primary support position will provide secretariat services to the NPGRB and will have access to sufficient funding to support NPGRB activities.

CAC's are formed when a crop is deemed to have sufficient need by the NPGRB and when the scientists associated with that crop show sufficient organization and interest to select such a committee. While he CAC's have proven to be an especially valuable addition to the NPGS, they are limited by time and resources from providing the immediate responses needed to asssure effective technical guidance on a continuing basis.

- Rec. C-2--An NTA will be designated, within ARS, for each crop having a CAC.

It is of critical importance that existing CAC's continue to operate effectively and that new CAC's come into operation as needs arise.

- Rec. C-3--Although "owned" by their respective user communities, the CAC's will be facilitated by a carefully selected invidiaul operating under the direct supervision of the Assistant to the Deputy Administrator for Germplasm.

D. Facilities

The most immediately needed facility in the NPGS is a new building to house the Small Grains Collection. Other identified needs are for additional space at NSSL and a facility to consolidate germplasm activities at Beltsville, MD.

- Rec. D-1--A new facility will be built at Aberdeen, ID, which will house the staff associated with the Small Grain Collection and provide space and equipment to process, evaluate, maintain, and manage the collection.
- Rec. D-2--A "Germplasm Center," housing the U.S. Plant Introduction (quarantine) Station, the PIO, the Data Base Management Unit, the EBL, and the Plant Taxonomy Laboratory (PTL) will be constructed at Beltsville, MD.
- Rec. D-3--Additional space which is needed for the NSSL will be gained by expanding the present facility.

E. Implementation

While this document presents a plan to address these needs and problems over a 15-year period, it is unlikely that the NPGS will maintain this level of visibility for that time period. It is important, therefore, that there be a mechanism to assure the continued consideration of this plan.

- Rec. E-1--There will be an annual meeting (in January) with the Assistant Secretary for S&E to discuss the budgetary status of the NPGS. This meeting will be arranged by the Executive Secretary of the NPGRB and those attending will include (1) the Vice-chairman of the NPGRB, (2) the Chairman of the NPGC, (3) the Assistant to the Deputy Administrator for Germplasm, and (4) the Executive Secretary of the NPGRB.

Budget Requirements

Of the eight "key objectives" utilized in the recurring portion of the budget projections, the first five (acquisition, maintenance, evaluation, germplasm enhancement, and research on the conservation of genetic diversity) form the basic continuum of NPGS activities. The last three (information management, monitoring genetic vulnerability, and training) are areas essential to the support of the system.

The planning considerations upon which the budget requirements were determined are as follows:

- (1) One method by which current managers can "institutionalize" their current level of interest in the NPGS is to recognize that this is, indeed, a priority area which is far from the budgetary base needed to fulfill its mission.
- (2) Sufficient funding must be made available to meet immediate exploration needs, especially in those habitats where man's encroachment may offer an immediate threat to native germplasm.
- (3) The long-range effectiveness of the NPGS will depend upon the more immediate strengthening of the maintenance and evaluation portions of the NPGS continuum, plus the information management and training components which support the system.
- (4) While the system does monitor genetic vulnerability, a budget base must be established to support these activities.
- (5) Germplasm enhancement, research on conservation of genetic diversity, and acquisition are activities of immediate importance, but it is especially important that their long-range value be recognized. Support of these activities becomes increasingly important as a followup to earlier expenditures on maintenance and evaluation.
- (6) It is important to recognize which components of the State/Federal (and sometimes private) partnership can best perform these key objectives, and through which agency they can most effectively be funded.
- (7) The NPGS has certain minimal facility needs which must be met to support the expanded system.

Total budget requirements for the period 1983-97 are summarized in table A.

Table A. Plant Germplasm--Total Required Science and Education Increases[1/] ($million), FY's 1983-97.

FUNDING REQUIREMENT	Fiscal Year 1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Total
TOTAL RECURRING	8.0	6.0	5.0	4.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	36.0
FACILITIES ASSESSMENT, CONSTRUCTION, PROCUREMENT	2.0	1.5	7.3	1.3	1.9	1.5	.6	2.9	2.7	--	--	--	--	--	--	21.7
TOTALS	10.0	7.5	12.3	5.3	3.9	3.5	1.6	3.9	3.7	1.0	1.0	1.0	1.0	1.0	1.0	57.7

[1/] All projections in terms of 1981 dollars.

GERMPLASM SYSTEM

Mr. MURPHY. It was my privilege during 1981 to serve on the staff of the director of science and education, with responsibilities for the development of that long-range plan. I feel quite compelled to come and testify in person today. I feel I, perhaps, offer some expertise relative to the germplasm system. I also feel I can speak with some objectivity, because I speak not only as a State worker but am looking for support for something that is primarily an ARS activity at this point.

I would quickly like to make two points today. I first would like to emphasize not only the importance of the national germplasm system but also the breadth of that system. The germplasm system is a continuum of activities. It begins, I guess you could say, with the eco-geographic studies that identify the centers of origin for major plant species. It includes the exploration and collection of plant materials all over the world. It includes the maintenance of the collections after they are attained. It includes the very important evaluation phases to find out what is really in these collections and how they really can be utilized. It includes the germplasm enhancement when the scientists take this germplasm and move it forward to the point where it can be readily used by plant breeders. And it also, very importantly, includes the distribution of that material to the potential users of the germplasm.

As broad as that is, you must then multiply that by every crop species of importance or potential importance to U.S. agriculture. I guess what I am saying is that this is a massive part of our crop improvement work that we are talking about. So any increases that are allocated to the germplasm system get watered down rather quickly, as we distribute the money over a broad range of research efforts.

I don't really know of anything that is more essential to crop improvement than the germplasm system is, and I don't know of anything that is more cost effective than this kind of an effort.

SMALL GRAIN COLLECTION FACILITY

Secondly and finally, I would like to address the specific facility need for the germplasm system. The facility to house the new USDA small grain collection was identified by the task force as the top priority for the germplasm system. This collection is currently housed in facilities which are inadequate at Beltsville, Md. This is a long way across the country from the places where the material is drawn out. This is a true need, and I am here to request your consideration for additional funding to support that facility.

I thank you for your attention. I see Mr. Kohashi just stepped out, but we did keep him informed, as we did the steering committee for this task force. He also received proposals of the draft.

Senator COCHRAN. Thank you.

Dr. Forsberg, you may proceed.

Dr. FORSBERG. Thank you.

I am speaking for the national germplasm system, and I appear before you as chairman of the American Oat Workers Conference and as a plant breeder and professor in the department of agronomy at the

University of Wisconson-Madison. As a plant breeder with ongoing efforts in breeding and research dealing mainly with oats and wheat and with minor participation in barley and rice, I am very appreciative of this opportunity to tell you how important it is that we treat our germplasm research as vital national treasures. These unique breeding and genetic stocks of all crop varieties are the heart and core of our programs that we as breeders need to induce new and valuable genes into existing cultivars. The results of our programs are new and improved yield and nutritional crop cultivars.

SMALL GRAIN COLLECTION

I would like to speak specifically about our small grain collection. We have over 80,000 accessions of wheat, oats, barley and rice presently in the collection, which constitutes a vital national resource. Except for two exceptions, we have less than 5 percent of the critical and important evaluation data such as reaction to specific diseases, straw strength type of maturity, and so on, that we need and that can very easily be obtained. If I choose to seek out certain genes for resistance, I write the curator, and in order to maximize my chances of getting a useful germplasm line I request a hundred entries from one country and a hundred from another. It is very inefficient and nothing more than a grab-bag approach.

In several crop species, including wheat and oats, workers have formulated a definite plan of attack to evaluate the entire germplasm collection. What we then need to do is to compute these evaluations into the data in modern data retrieval systems and make that data available to workers throughout the country. It is our understanding that in the fiscal year 1983 ARS-USDA budget a total increase of $3.8 million for germplasm remains in place at this time. Included in that is $200,000 for the wheat evaluation program, $100,000 for the beginning of the oat evaluation program, and $100,000 for the maintenance of the small grain collection. These funds have been earmarked, because the workers involved have formulated their plans; they know where and when the evaluations will take place, and as soon as the funds are made available, we are ready to initiate the programs.

SMALL GRAIN COLLECTION FACILITY

The second limitation we have is the small grain collection facility is very inadequate. There are over 80,000 collections. Space is inadequate. The preparatory space and environmental conditions for the workers involved are very inadequate. To this end, the architectural drawings and the preliminary plans have been completed, and I would like to strongly recommend the appropriation of $2 million for this small grain storage facility.

So the evaluations and decent storage facility are the two items we are strongly urging you to consider.

Thank you very much.

Senator COCHRAN. Could you refresh my recollection. What is the history of appropriations in this area? Is the request this year substantially lower than in prior years?

Mr. MURPHY. No; I think there has only been a rather recent recognition of the importance of the germplasm area. I guess we would have to say that having an increase at all in the present budget climate does recognize an increased emphasis and recognition of need in the area of plant germplasm. The recommendation from the task force to bring us on track, to catch up was—and I think it was a conservative estimate—we needed $8 million. There is not an item in the budget for the small grain collection facility at the present time.

Senator COCHRAN. That would be in Aberdeen, Idaho?

Mr. MURPHY. Yes, that is the recommendation of the task force.

Senator COCHRAN. Do you have any comments, Dr. Forsberg?

Dr. FORSBERG. No, sir. Thank you very much.

Senator COCHRAN. Thank you. We will look at this carefully. We appreciate your being here and bringing it to our attention.

[The statement follows:]

PREPARED STATEMENT OF DR. ROBERT A. FORSBERG, CHAIRMAN, AMERICAN OAT WORKERS CONFERENCE, AND PROFESSOR OF AGRONOMY, UNIVERSITY OF WISCONSIN-MADISON

SUMMARY OF REQUEST FOR FISCAL YEAR 1983

A. Increase for the ARS-USDA plant germplasm program: $3.8 million; including: wheat evaluation, $200,000; oats evaluation, $100,000; and maintenance of small grains collection, $100,000.

B. New depository facility for the small grains collection, $2 million.

Chairman Cochran and members of the committee, I would like to thank you for the opportunity to relay the view of plant breeders and geneticists throughout this country that germplasm resources constitute one of the most vital and valuable treasures that our Nation possesses. Investments in germplasm are investments with unmatched nutritional, economic, and political returns. The collection, maintenance, evaluation, and utilization of these unique breeding and genetic stocks are absolutely essential if agricultural research scientists are to develop improved crop cultivars leading to increased production of food, feed, and fiber. Funds are desperately needed to evaluate current collection entries and to house the small grain collection in a suitable respository.

GERMPLASM EVALUATION AND MAINTENANCE

Oat workers throughout the U.S. strongly support the $3.8 million increase for the ARS-USDA plant germplasm program presently in the fiscal year 1983 budget. It is our understanding that the following increases pertain directly to small grains: wheat evaluation, $200,000; oats evaluation, $100,000; and maintenance of the small grains collection, $100,000.

It should be noted that a recent task force charged with the responsibility of developing a long-range plan for the national plant germplasm system determined that an $8.0 million increase was necessary for fiscal year 1983. Please rest assured that we have evaluation and management systems in place to efficiently utilize the $3.8 million presently budgeted plus any additional funds appropriated.

THE USDA SMALL GRAIN COLLECTION REPOSITORY

More than 80,000 accessions of wheat, oats, barley, rye, and rice are presently maintained in the USDA small grain collection. Unfortunately, the present storage facilities are extremely inadequate in seed storage area and in work area. Increases in environmentally-controlled seed storage space and in well ventilated working space to handle these large collections are desperately needed. The addition of a $2 million appropriation for the construction of a new USDA small grain collection repository is strongly recommended.

Thank you very much for your kind attention.

NATIONAL ASSOCIATION OF FEDERAL VETERINARIANS

STATEMENT OF EDWARD L. MENNING, EXECUTIVE VICE PRESIDENT, THE NATIONAL ASSOCIATION OF FEDERAL VETERINARIANS

ACCOMPANIED BY WILLIAM G. HUGHES, GENERAL COUNSEL

Senator COCHRAN. Our next witness is Dr. Edward L. Menning, executive vice president of the National Association of Federal Veterinarians. He is accompanied by Mr. William Hughes, general counsel.

Dr. MENNING. Thank you, Mr. Chairman.

I would just like to preface my remarks. Even if the budget issues we are addressing would go through, it would not result in either the RIFing or furloughing of our members. So we are addressing this from a required management viewpoint.

MEAT AND POULTRY INSPECTION

I also heard with interest this morning that the USDA certified various things, one being improved veterinary medical services required by the Old West States. I just wish the USDA would also certify the improved or, at least, the keeping of the existing support of their own veterinarians and food inspectors in the field. This is really the first point I will be addressing. It is addressed to retaining the support for the usually anonymous 8,000 food inspectors and 900 veterinarians that are first-line people in the meat processing plants throughout the United States. They seldom get much lipservice except when one of them gets in trouble and appears in the newspaper.

The inspection of meat and poultry is grossly different from the defect or quality control inspections of aspirin, light bulbs, or automobiles. Meat and poultry carcasses are not uniform and even vary from area to area. Diseases are not uniform and vary from area to area. Residues or potentially toxic chemicals are not uniform and vary from area to area. Slaughter and processing plants are not uniform and vary from area to area.

The 27 area offices are the only field offices that meat and poultry inspection has to insure uniformity and supervision of the personnel in the plants and fields, and they now would be abolished.

AREA OFFICES

A major realinement of the meat and poultry inspection program was just completed which alined workload and personnel evenly throughout the United States. This realinement was strictly based on the circuit-area office-regional office concept. Now, a proposal is made to saw off one of the key logic tree limbs that was integral to this massive and expensive reorganization. It is illogical.

The major recurring criticism of the meat and poultry inspection program has been the lack of uniform application of rules, its lack of uniform training, and its lack of uniform performance of personnel. These criticisms have been levied by the industry, the American Meat Institute, the GAO, and the Booz, Allen and Hamilton report, and I might add by us also.

FORT WORTH TRAINING CENTER

The Fort Worth Training Center is the only classroom training facility that the Meat and Poultry Inspection Service has, and such training is not available elsewhere. They are now proposing to close it.

I might add here that we have seen some of the potential options, especially for the area offices that are now being looked at, but there are no concrete plans as to what they are going to do with training or supervision if this goes through. They are looking at options. With the options, some of them would add program analysts to the regional offices, which we certainly don't think are needed any more. They would add computers to keep track of the people in the field. It would also have the supervisor, who would be moved to the regional office, traveling every year at least 50 to 75 percent of the year away from home. I think this is intolerable, and also adds to the cost; proof that money would not be saved.

Back to the training center. It trains over 1,000 people yearly, and there are no concrete plans, as I just mentioned, on how these thousands of employees will be initially or periodically trained. This training is critical. Food inspectors enter the service with, at best, a high school diploma. Veterinarians enter the service usually with little knowledge of the program specifics. The Booz, Allen and Hamilton report addressed the need for improving training, and we have strongly addressed the increased need for continuing education in the medical-technical subject, which is almost nonexistent now.

All of the new inspection procedures that FSIS has implemented, is planning to implement, or will implement in the next few years mandate increased uniform training. If training is to be scattered throughout the United States at various audio-visual, self-help program study courses, with nonuniform instruction and possibly by contracting out to some small colleges at exhorbitant costs, as USDA has done in the past, this training will be difficult, expensive, and, most importantly, certainly not uniform. The claimed savings for closing of the training center and area offices is based on fictitious cost-avoidance type figures. Given that major problems stem from lack of uniform application of regulation, lack of uniform continuing training, and lack of uniform supervision, how these three situations can be improved by: one, abolishing your only training center, two, abolishing one-half of your area supervision and support personnel and then moving the remaining area people 1,000 miles away is logic that is ludicrous.

APHIS/VETERINARY SERVICES

Our next point is on the Animal and Plant Health Inspection Service's veterinary services.

We wholeheartedly concur with Congressman Jamie Whitten's proposal that the 1983 APHIS budget is irresponsible. We strongly recommend the goal be to eradicate brucellosis and other diseases. Such has already been done in eight other major importing countries.

If one were to accept the second premise—a .42-percent reactor rate for brucellosis is all we can afford—one must also realize that will cost much more than is projected to keep it at that .42 percent.

I have never heard of States effectively controlling multi-State disease entities. The embargo of cattle from one State to another has already begun with Missouri's recent law. Canada, in a recent communique, said, "It will probably be necessary to invoke more stringent restrictions." Other States and foreign countries will follow.

If we do not have adequately funded surveillance programs, we will not even know the quantity of the disease that exists. Hence, we won't be able to assign a cost to its damage, let alone try to control it.

Even our country's defense would be in jeopardy. If foot and mouth were introduced in peacetime immediately, all U.S. meat would be embargoed by countries in which we have bases overseas. If this were introduced during mobilization, the complications would be disastrous.

For any of the diseases addressed in the budget cuts, the costs to low incidence or free States will jump dramatically if they wish to maintain their enviable positions. I might add, for the higher disease incidence States, the embargoes will have great impact, and that, of course, would include your State of Mississippi, as well as Texas, Alabama and Florida especially. For farmers who are earning less and less these days, as we heard very eloquently this morning, costs will absolutely jump due to increased State taxes, or loss of indemnity, or increased private control costs, or higher loss from increased incidence of disease.

We, therefore, request that the meat and poultry inspection offices and the Fort Worth Training Center be mandated, as well as the veterinary services' budget of APHIS be funded at least at the 1982 level. We would also recommend that the funding for mandating the area offices and training center be at the 1982 level. The safest and most efficient food animal production on Earth can afford no less.

That concludes my comments.

Senator COCHRAN. Dr. Menning, I appreciate your summarizing your statement. It, obviously, deals with a subject that is very important not only to the meat and poultry industries of the country in our effort to assure adequate training and administration of these programs, but we also have to protect our consumers and instill confidence in purchasers of these products. We appreciate your taking time to be with us this morning. I don't have any specific questions, but I share many of the concerns that you express and assure you that we will give these matters most careful consideration as we proceed with our efforts to deal with the budget request that the administration has presented to us. Thank you for being here.

Dr. MENNING. Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT

Edward L. Menning, D.V.M., M.P.H.

Executive Vice President

of the

National Association of Federal Veterinarians

Dr. Menning received his Doctor of Veterinary Medicine from The Ohio State University in 1955 and a Masters in Public Health from the University of Michigan in 1964. He is board certified by the American College of Veterinary Preventive Medicine. He retired from the U.S. Air Force in 1980 as the ASsistant Surgeon General for Veterinary Services.

He presently serves as the chief executive officer of NAFV, an association representing about 3000 federally employed veterinarians.

Summary of Request

1. FY 1983 funding should be reinstated for the 27 Area Offices and the Fort Worth Training Center both of the USDA, Food Safety and Inspection Service, Meat and Poultry Inspection.

   The proposed FY 1983 budget abolishes all Area Offices and the only Meat and Poultry Inspection training center that exists.

2. FY 1983 funding for the USDA, Animal and Plant Health Inspection Service, Veterinary Services should be maintained at least at the FY 1982 appropriated level.

Mr. Chairman, members of the Committee, the National Association of Federal Veterinarians appreciates the opportunity to discuss the FY 83 budget proposal's effects on the USDA's Meat and Poultry Inspection and Veterinary Services. We also would like to point out to you some of the inconsistencies that FSIS and APHIS testimony are required to make in order to support the Administration's budget.

We subscribe to Peter Drucker's quote that, "It's more important to do the right thing than to do things right."

Meat and Poultry Inspection

The Meat and Poultry Inspection service of the USDA has been and still is performing an absolutely invaluable consumer protection service for the American Public, both from a health and quality control perspective.

The inspection of meat and poultry is grossly different from the defect or quality control inspections of aspirin, light bulbs or automobiles. Meat and poultry carcasses are not uniform and even vary from area to area. Diseases are not uniform and vary from area to area. Residues or potentially toxic chemicals are not uniform and vary from area to area. The slaughter and processing plants are not uniform and vary from area to area.

Meat and Poultry Inspection has been evaluating greatly increasing amounts of meat and poultry with steadily decreasing resources per unit inspected. (In 1978 slaughter inspectors examined 11.3 million pounds per inspector; in 1981 it was 12.7 million pounds per inspector. In 1978 processing inspectors examined 31.1 million pounds per inspector; in 1981 it was 39.0 million pounds per inspector.)

Area Offices

A major realignment of MPI was completed last year which, we believe, rather effectively aligned workload and personnel evenly and more cost effectively throughout the entire U.S. This realignment was strictly based on the Circuit-Area Office-Regional Office concept. Now, less than 6 months later, a proposal is made to saw off one of the key logic tree limbs that was intergral to this massive and expensive reorganization. It is illogical.

Presently, the 27 Area Offices which are the only existing field offices in MPI, supervise about 200 circuits containing about 6600 food inspectors and about 900 veterinarians in approximately 1900 slaughter/processing plants. The missions of these area offices are to: 1) assure uniform application of the diverse rules and regulations; 2) be an accessible contact point for industry in the state and for other federal and state agencies; 3) handle personnel problems and relief assignments for unfilled positions occuring locally; 4) to help assure adequate training for the frequent revisions in inspection techniques; 5) to coordinate changes and new requirements to state and industry officials; and 6) to evaluate the supervisors and programs in their area.

The major recurring criticisms of the MPI Program has been its lack of uniform application of rules and its lack of uniform training and performance of personnel. These criticismshave been levied by industry, the American Meat Institute, the GAO, the Booz, Allen & Hamilton Report and the NAFV among others.

The following is an exact quote from the 1977 Booz, Allen & Hamilton Report, (p. 125, Executive Summary), in reference to a proposed realignment similar to that just completed six months ago.

> "The equalization of now widely varying work loads at these key management levels should encourage somewhat greater uniformity in emphasis among various responsibilities assigned to Region, Area, and Circuit managers.
>
> The consolidation of the field management organization from the standpoint of Regional Office span-of-control, will likely improve Area-to-Region communication and enhance Area-to-Area uniformity within a single Region.
>
> Although Area Offices will, on the average, have a somewhat broader span-of-control, it is expected that if each Office were staffed with an Area Supervisor, an Assistant Area Supervisor, and two Program Assistants, possible increases in work loads can be absorbed. In addition, it is expected that one of the Program Assistants will provide additional required support to the Area Supervisor in budget and financial analysis."

The following are direct quotes from recommendations of the July 1981 GAO Report, (B203654).

> "Provide meat and poultry inspection program supervisors with improved plant-rating criteria that can be applied uniformly."
>
> " Inadequate Supervision. -- Circuit supervisors and inspectors-in-charge are devoting time detailing personnel to cover vacancies or filling the vacancy themselves to the detriment of their other supervisory responsibilities."
>
> "More effectively monitor inspectors and inspection supervisors as they work to bring slaughter plants into compliance with sanitation requirements."

Lack of uniformity is also caused by inadequate initial or continuing training.

We do not believe the $1.6 million claimed cost savins is real. Of the 162 positions involved over half (the highest GS ratings) would be kept and moved great distances to the Regional Offices since none of the Area Office functions are being abolished. The less than 80 positions being abolished are mostly unfilled now. The household moves would cost over $1.2 million dollars, office moves would cost over $300 thousand, office space reductions would cost the same or more due to higher rental fees in the larger metropolitan areas to which they would be moved, travel and telephone expenses would increase by over $140 thousand annually plus there would be a large cost in severance pay, early retirement, etc. for those employees who will not move. Additionally, circuit supervisors will have extra costs since they have no office and now will have no area office to use plus they will have more administrative duties detracting from their supervisory duties, which GAO recommended against.

Fort Worth Training Center

The Fort Worth Training Center is the only classroom training facility that the MPI has. To quote from, "Report On Training and Development of Veterinarians in the FSIS," prepared August 3, 1981 by Chief, Employee Development and Safety Branch, FSIS.

> "Technical Training
>
> The MPI training program has long been recognized nationally and internationally for its excellence. USDA's Superior Service Award was presented by the Secretary of Agriculture to the MPI Training Staff for their exemplary work.
>
> The highly specialized technical training that is conducted is not available through other sources."

This Training Center trained 1419 students in FY 78, 1062 in FY 79, 1431 in FY 80 and 1068 in FY 81. There presently are no concrete plans on how the thousands of new employees will be initially or periodically trained without this Center.

This training is critical! The thousands of food inspectors enter the service with, at best, a high school degree. Veterinarians enter the service usually with little knowledge of program specifics since over 50% of those employed from FY 80 have been foreign graduates, many others have been out of college for years, and many veterinary college curricula these days have meat hygiene courses optional or certainly not in the detail required by fulltime USDA employment.

Money is lost when supervision is inadequate. The supervision training given to all new supervisors (newly employed veterinarians) is a significant part of the courses taught at the Training Center.

The Training Center can efficiently conduct four or five courses at the same time with a total enrollment of up to 150 students at one time. The facilities are designed for specific MPI needs and for the modern audio-visual training materials that must be used. Other agencies can use these facilities on a space available basis.

The following is quoted from a letter protesting this closure written to Dr. Donald L. Houston, Administrator, FSIS, by W. R. Miller, D.V.M., PhD, Professor, Auburn University.

> "I have had a very long experience with meat hygiene in the academic community both as a teacher and in association with other teachers from over the world. I have worked closely with professional, practicing veterinary food hygienists from around the world. On several occasions, to improve my program at Auburn University, I have completed training programs at the Center. Over the years, I have followed the evolution of the Training Center from a widely scattered, fragmented entity to its present centralized, highly effective status in Fort Worth. My opinion therefore is not given lightly.
>
> In my view, closing of the Training Center would create an international image of the United States meat inspection program somewhat similar to the image that existed prior to 1906. Other nations would have good reason to question the reliability of the 'USDA Inspected and Passed' mark. And without the involvement of well trained inspection personnel in the Program, I would certainly have to agree with that evaluation. Without the Training Center there cannot be well and adequately trained inspection personnel."

The Booz, Allen & Hamilton Report addressed the need for increased training, the GAO addressed the need for improved training and NAFV has strongly addressed the increased need for currently almost nonexistent "continuing education" in medical/technical subjects.

All of the new procedures FSIS has implemented or will implement mandate increased uniform training, i.e. modified slaughter inspection procedures, total quality control procedures, residue programs, etc.

An agency the size of MPI with the present vacancies and attrition rate cannot realistically stop centralized training. The overwhelming majority of regional directors and mid-management of MPI feel the Training Center is needed and support its continued misstion.

If training is to be scattered all over the U.S. the logistics for the material, equipment, and manpower will be difficult, expensive and most importantly, certainly not uniform. If training is relegated to on-the-job training procedures it will further overburden the inplant supervisors and further detract from their ability to accomplish their mission and its quality will absolutely be incomplete and grossly variable.

We believe the $944,000 figure claimed as saving by "closing the Training Center" is based on fictitious figures. That amount is based on the assumption that there will be no assembled training costs for the year, does not take into account the fact that there must still be travel and per diem, that universities now charge $200 to $500 per student for only 3 day seminars plus travel and per diem.

Given that one's major problems stem from lack of uniform application of regulations, lack of uniform continuing training and lack of uniform supervision; how this situation can be improved by: 1) abolishing your only training center; 2) abolishing one-half of your area supervision and support personnel; and 3) moving your remaining area people 1000 miles away, is logic that is ludicrous.

NAFV therefore requests that the FSIS/MPI Area Offices and the Fort Worth Training Center be mandated and funded to at least the 1982 funding level. Industry, the states and the consumers require and deserve more accessible offices with staffs more intimately knowledgeable of their specific "areas'" needs and problems than could possibly be provided by some distant person.

Animal and Plant Health Inspection Service/Veterinary Services

We strongly recommend that the goal be to eradicate Brucellosis and Tuberculosis among other diseases. Such has already been done in eight other major importing countries.

However, if one were to accept the premise that a .42% reactor rate for brucellosis is the best we can afford, then one must also realize that it will cost much more than is projected just to keep it at .42%. It is not comparable to the Environmental Protection Agency saying that we are spending more and more dollars for less incremental reductions of air pollution from auto exhausts and that one more dollar spent is wasted. In this case, with uniform and measurable machines and with emmissions that do not replicate themselves on leaving the machine--you can stay at a rather static, agreed upon level, with minor funding. The Brucella abortus organism does replicate itself and does not recognize ANY geographic nor legal boundaries

If Congress were to allow these programs to be excessively weakened, let alone die, it would negate many years of work and hundreds of millions of dollars by "throwing out the baby with the bathwater."

I have never heard of states coordinating and effectively controlling multistate disease entities. Major federal leadership, technical services, personnel and money have always been required both here and in other countries. Scabies is an example of spread from only Texas in 1970 to eleven states now. States also have a history of taking retaliatory actions even on unrelated products. The potential embargo of cattle from one state to another has already begun with Missouri's recent law on cattle importation. Canada in a recent communique said, "It will probably be necessary to invoke more stringent restrictions." Other states and foreign countries will probably follow.

If we do not have an adequately funded major surveillance program, we will not even know the quantity of disease existing. Hence we will not be able to assign a cost to its damage let alone try to control it.

If we do not have these major programs funded we will not be able to sustain an acceptable basic staff to combat a national animal disease emergency from foot and mouth disease to equine encephalitis. Eyeball analysis by local people will never maintain a progressive program.

Even our country's defense system would be in jeopardy since an army still "travels on its stomach." If foot and mouth (or many others) were introduced in peacetime--immediately all U.S. meat would be prohibited by most of the countries in which we have bases overseas. If it were introduced during mobilization the greatly decreased food production and other complications would be disastrous.

Brucellosis is not perpetuated in wild animals, other than bison. Brucellosis control is required by the Grade A Pasteurized Milk Code, thus many dairies would suffer. Human brucellosis cases dropped from a high of 6321 reported cases (probably "actual" were over 100,00) in 1947 to only 159 reported cases ("actual" probably close to 2000) in 1981.

Swine brucellosis is at anall-time low and the export of pork products to the European Community is dependent on a good federal brucellosis control program.

Bovine tuberculosis existed in only 13 known cattle herds in 1981. Human bovine tuberculosis, which used to cause thousands of deaths, was down to only 28 reported cases in 1980.

For any of the diseases addressed in the budget cuts--the costs to the "low incidence" or "free" states will have to jump dramatically if they wish to maintain their enviable positions. For the farmers who are earning less and less these days, the costs will absolutely jump due to increased state taxes, or to loss of indemnity, or to increased private control costs or to higher loss from increased incidence of disease. It has been calculated that the brucellosis disease cost by 1990 would be at least 528 million with a voluntary vaccination program only.

We must continue to provide the services that only the federal government is able to do. A particular state has no way of dealing with "brucellosis spreading" dealers who reside in another state. We must protect and improve the public's health, our food producing animals health and our internal and external export economy. To do these we must have a program funded adequately to: 1) prevent entry of disease at ports; 2) survey and detect indigenous and exotic diseases; 3) maintain state of the art technical and laboratory services; and 4) respond quickly to disease outbreaks of national importance.

NAFV therefore requests that the Veterinary Services budget of APHIS be funded at least at the 1982 level. The safest and most efficient food animal production on earth can afford no less.

Mr. Chairman, members of the Committee, thank you for allowing the National Association of Federal Veterinarians to present its views. I will now attempt to answer any questions you may have.

AMERICAN VETERINARY MEDICAL ASSOCIATION

STATEMENT OF WINSTON M. DECKER, WASHINGTON REPRESENTATIVE, AMERICAN VETERINARY MEDICAL ASSOCIATION

Senator COCHRAN. Now, I want to welcome to the committee Dr. W. M. Decker, who is the Washington representative for the American Veterinary Medical Association.

We have a copy of your statement. We will put that in the record and ask you to make any summary comments that you would like. You may proceed.

[The statement follows:]

PREPARED STATEMENT

OF THE

AMERICAN VETERINARY MEDICAL ASSOCIATION

BY

WINSTON M. DECKER, D.V.M.

The American Veterinary Medical Association, representing its 34,000 member veterinarians, appreciates this opportunity to make recommendations regarding certain of the appropriations for the Department of Agriculture for FY 1983. We make these recommendations out of concern for the continued improvement of the health of livestock and the productivity of animal agriculture. We are concerned, also, regarding the future resources available to veterinarians to prevent and control animal diseases.

We find the budget proposed for the Animal and Plant Health Inspection Service to be cause for alarm. APHIS programs have been effective and productive, through cooperation with state governments and private practicing veterinarians, in reducing and controlling livestock diseases. These programs have surely been essential elements in increasing the agricultural productivity of the Nation. We are doubtful that the livestock producers and the states will, or can, maintain these programs essential to control diseases without the present level of federal participation. The budget appears to us to invite devastating increases in the incidence of several diseases and additional losses for livestock producers.

We note that the brucellosis program is being phased out, and the goal of eradication is being dropped. Reductions are also planned which will curtail or eliminate APHIS activity in animal welfare and the control of cattle ticks, scabies and tuberculosis.

We would like to speak specifically to the proposed phase-out of the brucellosis eradication program.

We are opposed to the budget proposal to significantly reduce the brucellosis eradication program for FY 1983 and particularly concerned about essentially terminating federal involvement in it by FY 1985. We believe that abandoning the goal of eradication is a grave error, one which will be excessively costly to the cattle and dairy industries, and to the American people generally.

The rationale for the proposed phase-out of this program appears to be based on the fact that livestock producers' losses due to brucellosis in 1981 totalled only about $40 million, less than one-half the annual budget for the program. In addition, less than 200 cases of brucellosis in man are reported per year. These figures can be compared to 1950 when losses were estimated at $100 million (in 1950 dollars) and there were 6,700 cases of human brucellosis reported by physicians. These data should demonstrate that this program is working.

The consequences of letting this budget stand are serious. They include:

1. Reduced interstate marketing of cattle

There are 35 states with 30 or fewer known infected herds. If federal financial support is terminated and these low-incidence states try to maintain their current status, experience indicates there will be an array of new state regulations governing interstate movement, including import embargoes.

2. Reduced foreign marketing of cattle

Foreign marketing of cattle, presently over $40 million per year, would be greatly reduced and the export market for approximately $40 million for swine products to European Economic Community countries would be lost.

3. Increased incidence of bovine brucellosis

Unless the vaccination level remains relatively high, which is unlikely without federal financial support, the incidence of brucellosis can be expected to increase in five to ten years to near 5 percent from the current rate of 0.42 percent.

4. Increased incidence of brucellosis in man

Brucellosis is a disease of man as well as animals, and it is a serious disease in man causing prolonged debilitation. When the incidence rate in cattle increased from 0.4 percent in 1971 to 0.72 percent in 1975, reported cases in man increased from 175 to 328 per year. The number of cases of brucellosis in man can be expected to increase in a direct ratio to the increase in cattle and swine brucellosis.

There are questions for which we may not have adequate answers, but these questions are vital to making a decision to terminate this program. They are:

(1) Will the states be willing to accept increased costs of the eradication program? We believe the low-incidence and some of the medium-incidence states may maintain or increase their current support levels. It is doubtful that many of the high-incidence states, such as Florida, Mississippi, Louisiana, and Arkansas can increase support to levels necessary to control the disease.

(2) Will livestock producers accept increased costs for veterinary services to control brucellosis? The better, most-financed, producers will probably pay the costs if directed toward an organized control or eradication effort. The other producers probably will not pay increased costs. Many cannot. Control efforts will almost certainly break down.

(3) Will livestock producers market infected cattle without federal indemnity subsideration? Probably most good producers will market infected cattle, but others will not. Unless the states maintain testing controls, infected cattle from small herds will be sold through dealers as replacements in other herds and will spread the disease to presently disease-free herds.

We believe it is in the long-range best interests of the United States to eradicate bovine brucellosis, and we believe it can, and will, be done. Great progress has been made toward this goal and should be continued until the goal is attained. If the budget proposal is permitted to stand, some, or perhaps much, of the progress of recent years will be lost. Decisions in five or ten years to reactivate an eradication program are almost certain to be made, but the cost then will be greater than now. Moreover, the task will be larger due to the increased incidence of the disease resulting from the retrogression of control activities.

We recommend that the brucellosis eradication program be adequately funded to permit orderly progress toward the goal of eradication of the disease and that the program be revised in consultation with the affected industries. That, we believe, will require annual funding, at the minimum, of $60 to $70 million for the next three years, with perhaps some reduction after that time.

APHIS animal care activities directed to the enforcement of the Animal Welfare Act and the Horse Protection Act have been chronically underfunded.

The animal care program has not met the expectations of those who encouraged federal legislation for the protection of animals in reasearch and exhibit enterprises, and those who are concerned for the humane treatment of animals. The states can't do this job and in many cases have no legislative authority to do so. Even if the states along with other organizations were financially able to undertake animal welfare inspection, we question the national impact of the assorted variable standards and procedures which would impact research institutions as a result.

Currently several bills in the Congress propose increased federal efforts directed to animal welfare improvement. We think it most appropriate to fund properly the existing program, so it may accomplish its purposes before any new programs are considered. The 1982 level of funding should be maintained for 1983 as the minimum operating program of animal care in APHIS.

In the budget for the Cooperative State Research Service, our concerns center on funding for animal disease research. It seems incongruous that in a nation which utilizes animals so extensively and so diversely the first specifically designated funds to support animal disease research and to provide for the post-doctoral training of young veterinary medical scientists in its schools and colleges of veterinary medicine were authorized as recently as 1977 by P.L. 95-113. That legislation authorized up to $25 million annually to be distributed in a formula format. Another $15 million was authorized annually for research on animal diseases of regional and national importance. Beginning in FY 1979, funds have been appropriated as follows:

	1978-79	1979-80	1980-81	1981-82	(Executive Proposal) 1982-83
	(in millions of dollars)				
Formula (Sec. 1433)	5.0	6.0	6.5	5.76	0
Special/Grants (Competitive)	10.0	7.0	5.05	7.156	7.156
Totals	15.0	13.0	11.55	12.916	7.156

While the appropriations en toto represent less than one-third of the total authorized amount, and while the full authorized amounts are realistic and could be used very productively, the monies appropriated have been effectively utilized. Interest in pursuing animal disease research is reflected in a simple statistic. Over the course of the first two years of the Special Grant Program (competitive format) the nation's colleges of veterinary medicine and the departments of veterinary and animal sciences responded by submitting 1,011 research proposals totalling $154 million. Only 145 (14.3 percent) could be funded with awards totalling $15.8 million (10.3 percent of requested amount). This is strong testament to the interest and desire on the part of veterinary medical scientists to engage in animal disease research. The research capacity is in place and can be made highly productive with reasonable assurance of a continuing supply of well-trained young scientists emerging from the system if the resources being requested are forthcoming. The 97th Congress enacted legislation (P.L. 97-98, "Agriculture & Food Act of 1981") maintaining the $25 million authorization level for formula funding (Sec. 1433 of P.L. 95-113) and increasing the authorization level from $15 million to $35 million for competitive funding (Sec. 1434) to address animal disease problems of regional and national importance. The intent of Congress in recognizing the importance of this effort is abundantly clear.

The veterinary medical colleges and state agricultural experiment stations are vital links in a national continuum which historically have had and currently have their fingers on the pulse of production agriculture. USDA's interpretation and implementation of the "New Federalism" appears to down-play the importance of this network and tends to favor the federal effort at the network's expense. It should be recognized also that the performance of research at the most basic, fundamental level is as much the responsibility and role of the university located research scientist as it is his/her counterpart performing in a federal laboratory. While it can be effectively argued that the federal animal disease research programs should be sustained, it should be pointed out that there is some distance separating those engaged in such research from the day-to-day production problems being faced, and that the federal programs are in no way designed, nor do they have the responsibility, to develop and produce the new veterinary medical research scientists which will continue to be needed.

We concur in the recommendations made by the National Association of State Universities and Land-Grant Colleges for FY 1973 funding of $7.45 million for formula grants authorized by Section 1433 and $7.66 million for projects directed to regional and national animal disease problems authorized by the new Section 1434. We believe that this represents the minimum funding necessary to continue the valuable role of colleges of veterinary medicine and state agricultural experiment stations in work vital to continued improvement of livestock productivity and the training of research scientists of the future.

The potential pay-off is so great for such minimal investment that failure to take the opportunity would be a serious mistake, essentially eliminating the momentum of effort generated over the past four years.

Dr. DECKER. Mr. Chairman, we appreciate the opportunity to comment on the appropriations for the Department of Agriculture. I will mention three major points of concern.

APHIS PROGRAMS

With respect to the budget for the Animal and Plant Health Inspection Service, we are concerned over the extent of some of the proposed reductions. APHIS programs have been effective in reducing and controlling livestock diseases. They have been essential elements in increasing the agricultural productivity of the Nation. We doubt that livestock producers and the States will, or can, maintain these programs without fairly significant Federal participation. The budget appears to us to invite devastating increases in the incidence of several diseases and additional losses for livestock producers,

BRUCELLOSIS ERADICATION

The brucellosis eradication program is proposed to be phased out, and the goal of eradication is being dropped. We believe this is an error and should not be permitted. If the phaseout is permitted, we would expect several things to occur, including reducing interstate marketing of cattle, reduced foreign marketing of cattle, increased incidence of brucellosis in cattle, and perhaps most importantly, increased incidence of brucellosis in man. We believe it is in the long-range best interest of the country to eradicate brucellosis. We recommend that that goal be maintained, and the program of APHIS be adequately funded for that purpose. That will require a minimum annual funding of $60 to $70 million for the next 3 years, with perhaps some reductions after that time. We do believe, however, that the program can operate effectively with less money than the 1982 level of appropriation.

ANIMAL WELFARE

APHIS animal care activities have been chronically underfunded. The proposed drastic reductions for 1983 would, we believe, practically terminate the program. There are several bills in Congress which propose Federal involvement in animal welfare improvement to a greater extent than the Federal Government is currently involved. We think it most appropriate to fund the existing program adequately before any new programs are considered, and we recommend as a very minimum for 1983 the same funding as for 1982.

ANIMAL DISEASE RESEARCH

In the budget for the Cooperative State Research Service, we see again no funds requested for animal disease research formula grants—those grants authorized by section 1433—and the same amount in special grants for animal disease research as that appropriated for 1982. Combined, this is a reduction of funds available to veterinary medical colleges and State agricultural experiment stations, and we believe that is an ill-advised move.

We agree with the recommendations of the National Association of State Universities and Land-Grant Colleges regarding animal disease research funding. We recommend funding for 1983 of $7.45 million for formula grants authorized by section 1433, and $7.66 million for competitive grants authorized by the new section 1434. We believe this represents the minimum funding necessary to continue the valuable role of the colleges of veterinary medicine from State agricultural experiment stations and would bring forth continued improvement of livestock productivity and the training of research scientists of the future.

It is a pleasure to appear here with recommendations totaling less money for next year than in the current year appropriations. The reduced brucellosis funding more than balances the increases we recommend for animal disease research and the level of funding for animal care programs in APHIS.

Thank you, Mr. Chairman. If there are questions, I would try to answer them.

Senator COCHRAN. Thank you, Dr. Decker.

I have encountered several people, some in my State and some from other States, who are very much concerned with the proposed reduction in the brucellosis program. We questioned witnesses from the administration very carefully, and I tried to get to the bottom of the reasoning behind the request for the funding. My initial reaction to their justification was that it was inadequate. I hope that we can find a way to enlarge the commitment for funding for that program in particular, and maybe to include others, as well, for increases beyond the amounts requested by the President. I think tremendous progress has been made in that area, and it would be a shame to waste the previous investment of millions of dollars and hours of work that have gone into making that program a successful program. So it has the attention of the subcommittee, and your being here today highlights the fact we need to be very careful and cautious before we approve the request that has been submitted by the administration in this area.

Thank you so much for being here.

Dr. DECKER. Thank you, Mr. Chairman.

NATIONAL SOYBEAN CROP IMPROVEMENT COUNCIL

STATEMENT OF ROBERT W. JUDD, MANAGING DIRECTOR, NATIONAL SOYBEAN CROP IMPROVEMENT COUNCIL

Senator COCHRAN. We will next hear from Mr. Robert Judd, who is managing director of the National Soybean Crop Improvement Council from Urbana, Ill.

Welcome, Mr. Judd. You may proceed in any manner you wish.

Mr. JUDD. Thank you, Mr. Chairman.

As you stated earlier, this subcommittee must address immediate emergency situations and must also be concerned with long-range objectives. My testimony speaks to the longer range objectives. I am here to sell an idea—an idea to maintain agricultural research's 40-percent annual rate of return on investment. The implementation of innovative ideas is necessary to make more progress in efficiency.

My statement, in fact, is a summary.

SOYBEAN PRODUCTION RESEARCH

A special investment of $500,000 is requested to stimulate and support a new approach in soybean production research. The impact will benefit all plant germplasm research. We recommend your investment in the Agricultural Research Service's special effort in this endeavor—using soybean germplasm in research to identify and quantify genetic components which limit yields.

Our scientists must understand how plants grow, how these processes are communicated genetically, and how farmers can use these communications to control desired responses.

This proposed new approach will combine the innovations of genetic engineering, molecular genetics and biochemistry with genetics and plant breeding in research. Using the most advanced, highly specialized knowledge in these emerging frontiers of research in agriculture, we can understand the regulation of soybean development and response of the plant to the environment, thus enabling us to develop genetic material and technology to increase plants' and farmers' efficiency of production.

The potential for genetic engineering has been highly publicized. Perhaps, in the excitement of the moment more has been promised than can be delivered tomorrow. However, the probability for success has stimulated ARS to initiate pursuit of a targeted objective with plants. Resources have been committed by ARS and CSRS to investigate genetic, biochemical and physiological characterizations and manipulations of growth and development. Special funding is necessary for ARS to explore this new frontier adequately.

Success in genetic engineering with lower forms of life has been achieved. The reason scientists can make bacteria produce useful products such as human insulin or vaccines for foot and mouth disease, is because they understand the chromosomes and genes. They know how the genes are structured, how they are organized on the chromosome, and how they are expressed. But these forms are very simple. Plant genetic materials are enormously more complex. This proposal is to begin the search in soybeans so the promises seen in genetic engineering may be realized in our American agriculture.

This presentation has been intentionally brief, for the purpose of introducing a new concept. We can, of course, provide more detailed material to describe the implementation of this research frontier.

Thank you, Mr. Chairman.

Senator COCHRAN. Mr. Judd, thank you for coming and giving us the benefit of this suggestion. Is it not true that in spite of all the research and effort that has been put into improving productivity in soybean operations, there has been fairly little realized as a result of improving yields among soybean producers?

Mr. JUDD. I am afraid that is true, Mr. Chairman. As Dr. Edgar Hardwig at Stoneville and Dr. Chuck Cavness at Arkansas have said repeatedly, we don't know how to breed for higher yields. If we knew, we would have done it years ago. It is a numbers and chance effect.

And genetic engineering is a new approach to try to get some answers on that.

Senator COCHRAN. I think that certainly merits our careful analysis, and I want to assure you that I am interested in that and hope that we can see more progress in the future in doing something about improving yields in soybeans and a number of other crops. Wheat, cotton, and others have been very receptive to the research, and technology and innovations of the past two decades, but there hasn't been much promise in the area of soybean research. Maybe you have hit upon an idea whose time has come and that we ought to implement. We will surely consider it very carefully.

Mr. JUDD. The Agricultural Research Service has accepted the idea to use soybeans as the targeted crop. Of course, that genetic information can be used on other crops. They are willing and will provide resources to start with soybeans.

PREPARED STATEMENT

Senator COCHRAN. Thank you very much, Mr. Judd. We appreciate your coming to the hearing, and we will place in the record the additional information you provided.

Mr. JUDD. Thank you.

[The information follows:]

PREPARED STATEMENT OF ROBERT W. JUDD

NATIONAL SOYBEAN CROP IMPROVEMENT COUNCIL

Soybean Yield Conference, recommendations for Additional Research to Augment the Ongoing Programs

I. GOALS

Identify and quantify genetic components that limit soybean yields.

A. Approach

To combine the innovations of molecular biology, molecular genetics and biochemistry with genetics and plant breeding to research and thus understand, the regulation of soybean development, and the material and technology to increase soybean yields.

II. SPECIFIC OBJECTIVES

A. Generation of novel sources of genetic diversity

1. Regeneration of plants from tissue and cell cultures.
2. Regeneration of plants from protoplast.
3. Production of haploids.
4. Production and isolation of auxotrophs or other useful genetic markers.
5. Molecular mechanisms of gene expression (gene structure, organization and expression).
6. Development of gene transfer methods.

B. Genetic, biochemical and phsiological characterization and manipulation of growth and development

1. Increase duration and intensity of primary productivity/utilization (i.e., CO_2 fixation and N_2 fixation, N_2 fixation vs nitrate nutrition, etc.).
2. Carbon/nitrogen partitioning to seeds.
3. Elucidate plant-rhizosphere interactions.
4. Control of reproductive development both by endogenous and exogenous plant growth regulators.

5. Morphological adjustment to optimize plant functions.

C. Characterization and manipulation of gene expression in response to the environment

1. Molecular analysis of the genetic adaptation to stress (e.g., heat shock, proteins, membranes).
2. Metabolic adaptations in response to changing environments (i.e., osmoregulants).
3. Morphological adaptations to stress (e.g., stomata, roots, nodules).

III. STRATEGIES FOR IMPLEMENTATION

A. Develop an interdisciplinary core group of sufficient size and with budget strength and duration to address and have impact on these long range research problems.

B. Establish a research consortium to address the above research problems.

C. Develop a training program based on scholarships and/or fellowships.

NATIONAL DAIRY HERD IMPROVEMENT PROGRAM

STATEMENT OF H. VICTOR JOACHIM, VICE PRESIDENT, NATIONAL DAIRY HERD IMPROVEMENT ASSOCIATION, INC.

PREPARED STATEMENT

Senator COCHRAN. Our next witness is Mr. Victor Joachim, vice president of the National Dairy Herd Improvement Association, from Columbus, Ohio.

We welcome you. We have the statement which you provided to the committee, and it will be included in our record in its entirety. We ask you to make any summary comments from it that you would like at this time.

[The statement follows:]

PREPARED STATEMENT OF H. VICTOR JOACHIM

VICE PRESIDENT

NATIONAL DAIRY HERD IMPROVEMENT ASSOCIATION, INC.

SUMMARY

I am H. Victor Joachim, Vice-President of National Dairy Herd Improvement Association, Inc., which represents 65,000 dairy farmers enrolled in the National Coeprative Dairy Herd Improvement Program.

Even though dairy farmers support the desire of Congress and the Administration to balance government spending with the ability of the economy to finance government services, nevertheless, National Dairy Herd Improvement Association believes the need for research is as great as ever! Dairy farmers believe Congress continues to have a responsibility to encourage maximum productive efficiency.

As emphasis in milk marketing moves to quality and product salability, we believe increased emphasis is essential for product research and animal research directly affecting quality (mastitis). We have established dairy industry priorities which we believe are worthy of your support:

(a) Product and distribution research
(b) Mastitis research
(c) Genetic Evaluations
(d) Integrated Reproduction Management

Dairy farmers ask your consideration of these requests.

STATEMENT

I am H. Victor Joachim, Corona, South Dakota. I farm about 560 acres at Milbank, South Dakota. I have a grade and registered Holstein herd of 160 animals, including 80 in the milking herd. Dairy herd improvement, artificial insemination, milk marketing, and dairy breed organizations all contribute to the success of my dairy farm operation. The U.S. Department of Agriculture cooperates with these organizations by providing research and educational programs which ultimately improve our dairy herd and farm operation. We regard these programs as extremely important and appreciate the support of the department.

I am Vice-President of National Dairy Herd Improvement Association, Inc., which represents 65,000 dairy farmers enrolled in the National Cooperative Dairy Herd Improvement Program (NCDHIP), a cooperative venture among dairy farmers, the state Cooperative Extension Services, and the U.S. Department of Agriculture (Science and Education Administration). The NCDHIP provides computerized dairy farm management data for decision making at the farm level; the program is the basis for national genetic evaluations; it provides information for sound artificial insemination and breed improvement programs. Research and education programs utilize these data to help dairy farmers to improve their efficiency.

Dairy farmers in general applaud the efforts of the administration and Congress to balance government spending with the ability of taxpayers to support government services. Dairy farmers in general support efforts by the administration and industry to control temporary milk surpluses, which are costly in the long run to both taxpayers and producers. With the perspective of reduced government spending and product surpluses, Congress could reduce funding for livestock research and extension projects. Dairy farmers hope not, because the current efficiency of dairy farmers is due in part to the long-term influence of government supported research and extension programs.

Over time, consumers are the primary beneficiaries of producer and processor efficiencies. Consumers pay for food, whatever its cost! Improvements in efficiency also are important to a world looking for efficient ways to feed itself. There will be 6.5 billion people on earth in 2000, half again as many as now. Food production capacity will need to increase to meet these demands. Competition for food among humans and animals will increase, so we must develop the most efficient livestock industry possible.

During the past few years, National DHIA has cooperated with the Forum for Animal Agriculture, an alliance of 22 livestock organizations representing dairy, beef, swine, sheep, horses, poultry, dairy goats, and small meat animals. The Forum believes its priorities established for research and extension ensure continued quantity, and safety of American food supplies. Within the perspective of total livestock research needs, the Dairy Industry Research Group, representing dairy production organizations, has set research priorities for dairy.

National Dairy Herd Improvement Association (National DHIA) asks Congress to continue to encourage dairy farmer productivity and efficiency. We ask respectfully that the following dairy industry research areas be considered priorities in the U.S. Department of Agriculture Budget for Fiscal 1983:

1. Processing and distribution of dairy products
2. Mastitis research
3. Genetic Evaluations
4. Integrated reproduction management

PRODUCT RESEARCH

Dairy farmers believe dairy product research is extremely important to the well-being of dairy farmers and consumers. Dairy products are an important source of high quality protein and other important nutrients; processing and distribution efficiency are as necessary to continued reasonable consumer costs as production efficiency.

Many dairy farmers fear a reduction or loss of markets. Because of this concern, National DHIA delegates enacted recently a resolution to support "protein or component pricing --- as a marketing system which emphasizes quality and product salability". As the marketing system is changed, even greater research is needed to ensure milk quality uniformity for consistent and high quality products.

Two deterrents to long-range break-throughs in efficiency of processing of milk and its products are: (1) transporting milk in its natural state (87% water); and (2) refrigerating milk, which means a limited shelf life. Research to correct these deficiencies is needed badly. Methods to "concentrate" milk (reduce the water content) at the farm level could cut down transportation costs. In addition, ultrapasteurization and aseptic packaging technology can be developed so dairy products can compete with other foods which stay on grocery shelves six months without deterioration.

Following are some high priority dairy product research projects:

1. Milk Quality Uniformity

   Research is needed to establish a milk dating system to make possible determination of the rate and magnitude of off-flavor development.

2. Concentration of Milk at the Farm Level

   Research is needed to establish potential benefits for concentrating milk prior to shipment from the farm to reduce transportation energy usage.

3. Ultrapasteurization and Aseptic Packaging of Milk and Dairy Products

   Research is needed to speed the development of ultra-high temperature sterilization of milk to reduce energy costs and improve shelf life of milk and milk products and to develop methods for predicting consumer acceptance of UHT dairy products.

4. New and Improved Methods of Analysis of Milk Components for Quality or Deterioration

   New research is needed to develop testing methods to identify efficiently antibiotics (other than penicillin) because of potential allergic reactions and cheese production failures; a farm test for penicillin in milk is needed.

5. Genetic Engineering as a Tool to Improve Dairy Products

   Research on Streptococcus Cremosis Plasmid DNA has demonstrated genetic engineering techniques make possible superior cultured dairy products; continued development is needed in this "frontier" research.

A good market for dairy products is central to a healthy dairy industry. Particularly, this is true as the industry and government attempts to deal rationally with surpluses created by an obsolete marketing system and attempts to create a new system and atmosphere for milk marketing in which quality and uniformity are emphasized! To be consistent, much research is needed. We hope funds can be made available to institute an effective research effort on dairy products.

Research needs outlined could require $4 million in the Fiscal 1983 U.S. Department of Agriculture budget, but the real need is to establish some funds to set the direction for future dairy product research.

PRODUCTION RESEARCH

Production efficiency of U.S. dairy farmers challenges the rest of the world to imitate; labor efficiency in the dairy industry, compared to other agricultural enterprises, is excellent. Consumers reap benefits! The prolonged "lead-time" from research initiation to adoption on the farm means the American economy really cannot afford to relax on long-term research. Dairy farmers believe Congress continues to have a responsibility to encourage maximum productive efficiency for the health of the American economy as well as the dairy production industry.

Mastitis Research

Congress in 1977 directed a high priority for animal health research, but funding has been inconsistent, so no viable results are apparent to producers. Of particular concern to dairy farmers is mastitis, which costs the industry $1 billion per year. Dairy farmers, through the efforts of their dairy herd improvement associations, now pay $300,000 monthly for mastitis screening (monitoring) on 2 million cows enrolled in NCDHIP. Now we need supplemental and "back-up" research to make the most of farmers' investment.

The following are mastitis research needs (submitted by the Research Committee, National Mastitis Council - February 14, 1981):

1. Milking Equipment and Mastitis

   Milking equipment is of critical importance, but there are few reliable data. Little research is in progress. Bio-engineering teams with expertise in microbiology, tissues of the host, and physical forces of the milking system are most likely to produce valid results.

2. The Dry Period and Mastitis

   New methods of treatment and prophylaxis in the dry period, including new drug formulations and treatment regimens, immunization procedures, enhancement of non-specific resistance, hastening of involution, and improved management practices should be developed.

3. Specific Immunity and Immunization

   We need to understand the mechanisms of immunity to specific pathogens in the mammary gland. Effective vaccines against streptococcal, staphylococcal, coliform, and mycoplasmic mastitis are required. Cell mediated immunity may be of importance in the mammary gland. These should be investigated.

4. Non-Specific Resistance

   Mastitis can be caused by many organisms. Resistance factors may be active against several pathogens to provide immunity. Research areas include integrity of the teat canal barrier to infection, phagocytosis in the mammary gland, and various antibacterial factors in milk and dry period secretions.

5. Integrated Mastitis Control Program

   Development of integrated mastitis control systems will validate management practices that minimize the incidence of clinical mastitis, the level of subclinical infection, and production loss. Factors include (a) management of young stock and calving cows; (b) milking hygiene; (c) design and operation of milking systems; (d) procedures for managing dry cows; (e) reduction of exposure to bacterial pathogens; (f) therapy; and (g) optimum use of diagnostic tools such as bulk tank samples, somatic cell counts in individual cows, and bacteriologic culture.

The dairy industry believes support for mastitis research is consistent with the need to improve quality and sales in order to reduce milk surpluses. The dairy industry has recommended $3 million in research funding is needed.

Genetic Evaluations

National DHIA appreciates the support of Congress in ensuring research in dairy cattle sire and cow evaluations by the Animal Improvement Program Laboratory of U.S. Department of Agriculture's Beltsville Station; this research is essential to continued genetic improvement.

Integrated Reproduction Management

Recently, the U.S. Department has initiated a multi-species, multi-discipline approach to solving reproduction problems, called Integrated Reproduction Management (IRM). The concept stresses the commonality of many reproduction problems across species and stresses the need not only to research techniques which potentially are useful under farm and/or ranch conditions, but also to educate producers in these techniques to maximize the results gained from basic research. Producers concur with the concept and applaud the Department of Agriculture for its innovative thrust.

However, IRM is not funded in the 1983 Budget! We believe, after all the effort to initiate this project, it should not be dropped at this point! We respectfully ask that consideration be given to reinstating IRM in the 1983 Budget.

We believe the needs described herein are worthy of your consideration and are in the total interest of the public. Dairy farmers believe support for research is essential for the continuing productivity of the dairy industry, as well as the ultimate benefit of consumers in the U.S. Research and extension activities in the past have contributed to dairy efficiency. Ultimately, consumers pay the cost --- for efficiency, or for the lack of it! Dairy farmers much prefer to be efficient and to provide consumers quality foods at reasonable prices. Long-range direction of the dairy industry is dependent on the attitude and priorities of Congress and the U.S. Department of Agriculture. We ask respectfully your consideration of these requests.

Mr. JOACHIM. I am Victor Joachim from Corona, South Dakota. I am a dairy farmer. We operate about 560 acres and maintain a holstein herd of 160, including 80 in the milking breed. It is strictly a family farm operation. In this operation we use the services of the Dairy Herd Improvement Association, the Artificial Insemination Association, the Milk Marketing Organization, and the Dairy Breed Organization. We use these services to make our operation just as profitable and efficient as possible. The United States Department of Agriculture cooperates with each of these organizations by providing research and educational programs upon which I, personally, rely very heavily. I rely upon them for authenticity and accuracy in determining resources which I can apply.

I am vice president of the National Dairy Herd Improvement Association. This represents 65,000 dairymen in 44 States who are enrolled in the national cooperative dairy herd improvement program, which in turn is a cooperative effort of farmers enrolled in dairy herd improvement and also the State cooperative extension service and the United States Department of Agriculture via the Science and Education Administration. This total cooperative system provides computerized dairy farm management records and data which we use and, in turn, is the basis for the national genetic evaluation program. It also provides information for artificial and breed improvement programs. Research and education give us data and programs to improve our productive efficiency.

AGRICULTURAL RESEARCH

I think I need to delineate some basic positions regarding agricultural research, and I guess I would start in this vein, in that those in positions of responsibility must find ways to reduce the rate of decline in agricultural productivity. If the present rate of decline continues, we will be paying $4 for a hamburger in 1990, and I am sure the consumer will not tolerate that situation, if at all possible.

It has been mentioned previously here this morning that agricultural research is a good investment and that it returns $4 for every $1 invested, and the consumer is the direct recipient of that effort. It is a fact that he has the cheapest food in the world in this country, and he has a fantastic choice. Also, he has an abundance of food, and we don't see people standing around in lines anyplace to buy the bare necessities of life.

When I talk to research scientists in animal health research, they tell me that the basic research shelf is empty when they go there for data from which to begin research. The tragic thing involved here is that the leadtime in basic research and applied research is catastrophic. If it takes 10 to 15 years from the inception of basic research to make it available for applied research activity, and if it then takes another 10 years for applied research to be accepted in the field, we have a leadtime here that is intolerable.

Not too long ago—about 10 years—I went to my extension dairy man in my State and requested certain information that would help me make my program more profitable. He said, "Joachim, you're 10 years ahead of yourself," I said, "Sir, I needed the information 10 years ago. That means we are 20 years late now." Today, I still do not have that information.

I guess basically, Mr. Chairman, we are saying things here that are self-profitable but need to be addressed. I am requesting somebody to plant a shade tree under which I will never sit, because by the time it gets there, I won't be in the ball game anymore. But the concept is right. It needs to be done. I guess information on that particular issue—the proper use of America's soil, water and energy today—will determine our production efficiency for tomorrow.

The NDHIA believes Congress has a responsibility to encourage dairy farmer productivity and efficiency. We respectfully request the following research areas be given priority in the United States Department of Agriculture budget for fiscal year 1983. I would like to divide those areas into two specific categories. First, we would like research on the product itself, and second, we would like research in the production of that product.

PRODUCT RESEARCH

As far as the product itself is concerned, we need research in the area of the quality of the product that we are producing. We have some basic deterrents that are addressable that need to be addressed posthaste in the area of the product itself, and those are deterrents in efficiency. In the processing of milk and dairy products, is the fact we need to transport today our milk in a State which is 87 percent water. I spent over $4,000 last year just to transport the milk in my modest operation. Those figures, if we look at them objectively, tell me 87 percent of my costs went for transporting water. So if we could get some research in the area of bringing down the product, concentrating it at the farm level, we can certainly reduce our cost in that area.

The other deterrent to efficiency in our operation is the fact that the product we produce, of necessity, needs refrigeration. And so in the area of dairy product research we would certainly like money allocated for milk quality uniformity for concentration at the farm level, for ultrapasteurization, and aseptic packaging technology to increase the shelf life and to improve component analysis for quality of this product. It is not too far in the future to think some day we can test for antibiotics in the milk at the farm level before it leaves.

Also, we need to continue in genetic engineering as a method of improving the quality of the hard products we derive from the fluid milk.

PRODUCTION RESEARCH

In the area of production research, today mastitis costs the industry $1 billion a year. Dairy farmers are spending $300,000 a month to screen 2 million cows for mastitis. We need help in this area to get off the ground an integrated mastitis program that can attack this from every avenue that is feasible.

GENETIC EVALUATIONS

We need continued funding for genetic evaluations. We are appreciative of this funding for the animal improvement laboratory at the U.S. Department of Agriculture.

INTEGRATED REPRODUCTION MANAGEMENT

Another area that needs to be stressed very heavily is the area of integrated reproduction management, which, sir, is a multispecies, multidiscipline approach to the problem of reproduction in all species. USDA has begun an excellent program. We spent about 5 years developing it. In the 1983 fiscal budget, funds have been dropped for this particular proposal just when we were beginning to get it off the ground. We would certainly respectfully request reinstatement of those funds.

All of the above is worthy of your consideration and, we feel, is in the total interest of the country.

Thank you.

Senator COCHRAN. Thank you, Mr. Joachim. We appreciate your being here. I find your testimony very interesting and provocative, and I assure you we will take a careful look at the suggestions you made. There is no question in my mind that money spent in research pays big dividends, as you observe. I am a strong supporter of research as an investment. I am sure the other members of the subcommittee agree that these can be wise investments and pay big dividends not only in terms of Federal obligations in future years, but also in cost to consumers, profitability of farm operations, and a wide range of benefits that can be directly identified as resulting from an aggressive research program.

The dairy industry has some problems right now because of the large cost to the Government of our dairy program, and that has the attention of the Congress and the administration and the dairy industry as well. This could be one of the key ingredients of a program to try to reduce further the cost to Government and, ultimately, expenses to consumers of our dairy program and dairy products.

So again, let me congratulate you on the quality of your presentation, and thank you for appearing before the subcommittee.

Mr. JOACHIM. I have further copies if you need them.

Senator COCHRAN. I think we have a sufficient number of them. Thank you.

OREGON ESSENTIAL OIL GROWERS LEAGUE

STATEMENT OF JOHN DILWORTH, CONSULTANT, OREGON ESSENTIAL OIL GROWERS LEAGUE

PREPARED STATEMENT

Senator COCHRAN. Our next scheduled witness is Mr. John Dilworth, a consultant to the Oregon Essential Oil Growers League, from Corvallis, Oreg.

We welcome you to the committee. We have a copy of the statement you have furnished to us dealing with mint research. We appreciate having this, and ask you to proceed to make any summary comments that you care to.

[The statement follows:]

PREPARED STATEMENT OF JOHN DILWORTH

CONSULTANT

OREGON ESSENTIAL OIL GROWERS LEAGUE

The mint industry in the United States is a free enterprise industry which has worked in a cooperative effort with state universities and more recently the Federal Government to support research. Through voluntary contributions the National Mint Industry Research Council has donated over $1,600,000 to research. That figure is matched by another $200-250,000 per year from the individual state grower organizations.

In the last few years research programs have been initiated with the USDA to increase the agricultural platform of the Labiatae (mint plant. The mint plant has not only demonstrated the ability to produce increased yields in the traditional flavor markets we all know but probably possesses the greatest germplasm bank present in the U.S. today. The mint plant can be manipulated genetically to produce many products now produced from petroleum. Steroid drugs, natural pesticides, bases for rubber and plastic in addition to bases for many synthetic products can be produced.

The mint industry has been independently funding research for many years. The mint collection presently in the hands of the USDA and Oregon State University was first developed by our industry privately and turned over to those agencies in 1973 as the cost to develop the plant across its wide spectrum of capabilities was too great for any one company. The Oregon Essential Oil Growers League first approached the Committee for funding in FY78 and has been well funded to this date.

Interest has grown within our industry in the past few years to become more involved with the development of the plants. Areas have been uncovered where the USDA feels it cannot do the research needed. As a result, in our request last year the industry requested a transition of the research program back to our industry. We feel the time the USDA was involved was vital as it allowed our industry to rally in support of the program. In FY82 we requested a three year transition of the program back to private industry.

Since the approval of our request we have worked towards the transition in a positive manner.

The Oregon Essential Oil Growers League is forming a commission for self taxing to support research along with two other commissions already formed. The National Mint Industry Research Council which we expect to coordinate the national program will be meeting this November to make plans for funding. We feel our industry will be ready to make the full transition by the end of the three year period.

It is our understanding, however, that the USDA has chosen to terminate the mint program by the end of FY82. This is of great concern to us as we turned the materials over to the USDA in good faith for their keeping and funded over $150,000 to keep the materials intact until a national program could be developed. We request that if the USDA has chosen to terminate the program on such short notice that in good faith they must work with our industry to assure the return of the materials with the same good faith they received them.

Our industry is on schedule with our proposed three year transition. It will take another year to form a commission and get voluntary funding arranged through the MIRC. We respectfully request that with the termination of the mint program on such notice that our industry be appropriated a one time grant of $100,000 to allow it to keep the materials in good order and pick up the program in an active state. This figure represents one half of the annual funding for the program and one third of the proposed amount if the transition were to continue as proposed. Scientists have assured us that should an orderly transition not take place it will take another four to five years before we can achieve the level of development we presently have. Your consideration of our proposal wil be greatly appreciated.

LETTER FROM A. M. TODD COMPANY

A. M. Todd Company
Box 711 • Kalamazoo, Michigan 49005
Phone: 616/343-2603 • Telex: 224416
Cable Address: Crystal, Kalamazoo

November 10, 1980

Dr. Donald Roberts
Farm Crops Building
Oregon State University
Corvallis, Ore 97331

Dear Don:

This will confirm our discussion concerning the matter of depositing strains of Mentha in the Germ Plasam Repository at OSU.

At the time of Dr. M. J. Murray's retirement from our Company in 1973, we transferred to Oregon State University 685 original strains either collected or developed during the course of Dr. Murray's 25 years of research. These strains were released to Professor C. E. Horner for use in developing new commercial strains of Peppermint or Spearmint for the advancement and improvement of the U. S. mint producing industry.

Consequently, we feel that depositing these strains in the Germ Plasam Repository would be contrary to the interests of the mint industry in the United States by making available to potential foreign competitors materials developed by painstaking and expensive research within the U. S. We therefore respectfully request that they not be placed in the Repository at this time.

May I also mention that a number of strains of Mentha piperita showing resistance to Verticillium wilt were released to the Oregon Agricultural Experiment Station under an Agreement dated April 20, 1965 as amended on April 11, 1967. This Agreement provides that release must be jointly approved by A. M. Todd Company and the Botany & Plant Pathology Department of OSU only after receiving flavor approval from a majority of the five major users of Oil of Peppermint who contribute to the Mint Industry Research Fund. Two strains have been released under this procedure and are, of course, available to foreign producers and research workers.

Yours very truly,

A. M. TODD COMPANY

WG Todd
President

LETTER FROM MERRITT J. MURRAY

2718 Oakland Dr.
Kalamazoo, MI 49008
Nov. 3, 1980

Dr. Donald Roberts
Farm Crops Bldg.
Oregon State University
Corvallis, Oregon 97331

Dear Don:

In accepting 685 original strains supplied by the A. M. Todd Co., Prof. C. E. HORNER agreed to three exceptions to their general distribution, the same ones that I personally observed.

1. As requested by the executive officers of several principal gum companies, I retained several non-released wilt-resistant selections from the irradiation program, namely 2n SELECTIONS 58 (released as Todd Mitcham), 3202 (released as Murray Mitcham), 1265, 1320, 1421, 2236, 3201, 1968 L.P. (Large Plot) 31, 68 L.P.33 and 68 L.P. 38 plus 8 unselfed polyploid strains. These strains were submitted as 72-333 to 72-355 but were subsequently re-numbered by Horner to avoid vacant plots due to winter kill. Dr. Horner added Selection 1034 from previous tests at Corvallis. To quote, "Backup wilt resistant strains of Mitcham from Irradiation for Maintenance but not General Distribution."

These strains are not subject to release unless the strain's oil quality has been approved by major U.S. oil company users, by A. M. Todd Company the originator, and by Mentha scientists at Oregon State, Purdue University, Michigan State University, and Washington State at Prosser.* Everybody agreed to these requirements for release and that actual release to growers would be by university supervised production of the foundation stock.

Don, it would be a great disservice to U.S. farmers to let Australians, Indians, or anyone have these non-released strains based upon the concept that it is none of our business what they grow for, life being what it is, some U.S. farmer would be impressed by the high yield of Selection 1421 for example and would obtain it from foreign sources. Yes, I know that the yield of 1421 is much higher and that our U.S. users don't like the oil quality but we don't know the morphological and/or physiological reasons for higher yield. I believe you will find that the polyploid strains were lost.

2. Dr. Horner was given Arthur O. Tucker's strains of M. arvensis, M. gentilis, and M. cardiaca to maintain but he agreed not to distribute these strains without Dr. Tucker's permission. This was a perfectly reasonable request since Art was doing research on this material for his PhD dissertation. Please consult him on his strains. His address is: Dr. Arthur O. Tucker, Box 124 Dept. of Agriculture and Natural Resources, Delaware State College, Dover, Del. 19901.

3. The hybrids which I patented for menthol production and those for American lavender oil were not included for obvious reasons. However, I had several very belligerent people order me to send them patented hybrids! I had one individual tell me if I didn't send him a patented citrata hybrid, he'd steal it.

In conclusion, Don, the rest of the strains are yours to dispose of as you see fit but I'll offer you some free advice. First, preserve all strains you plan to use in research in your greenhouse or field plot so you are certain of having your source material. Secondly, maintain without distribution strains of particular basic research interest to you. Thirdly, don't let anyone tell you what you must and must not do with these strains. I gave them to Horner and you inherited them from him.

To recapitulate and summarize the situation, I may state that to my knowledge you do not have any of the patented menthol plant breeding selections and only one of the patented M. citrata hybrids that are the exclusive property of the A. M. Todd Co. Dr. Horner was curious and saved one M. citrata strain when he was hired to index material to obtain Verticillium-free shoots for A. M. Todd field propagation. As I pointed out to you in Oct. 1978, he either had to destroy the strain or sign a non-release agreement.

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* The Callison, The Lehman, and The Brown Companies also critically evaluated oil.

More than 10 years ago, Oregon State University signed an agreement not to release any of the irradiated Mitcham strains given to Horner for study and regional evaluation under Willamette Valley conditions until such a time as all the agreed upon conditions of release to Universities were fulfilled. Todd Mitcham (Selection 58) and Murray Mitcham (Selection 3202) were released in 1972 and 1973, the latter after my retirement. Professor Horner continued to evaluate Selections 92, 1034, and perhaps other strains in the following years in large half- or one-acre plots. I assume from a phone conversation in August 1980 following his forced retirement at age 58 that he had destroyed or moved this material and all other selections from his irradiation program of Mitcham peppermint or of Scotch spearmint to Prosser, Washington. It was my understanding that he also returned to Prosser all spearmint strains obtained from Dr. Calvin Skotland at Prosser and either directly or indirectly from Ralph Green, Jr. at Purdue.

The three xeroxed sheets from my original description of strains given to Prof. Horner in 1971 or 1972 prior to my retirement list the specific selections and their colchicine-induced polyploids that were grown as single plants and their authenticity checked by me on three occasions. I would respectfully suggest that any existing strains be given to Horner for transfer to Prosser since this would release you and the USDA from any entangling agreement with a private company. The simplest solution to your problem, Dr. Roberts, would be to get rid of all restricted material that wasn't exclusively yours by offering to return it to the originator for disposal. All other strains that were donated by me were given in good faith and insofar as I am concerned, you must decide whether to keep them or turn them over to another government organization for maintaining Basic Mentha Strains.

Need I warn you that funds for maintaining basic stocks have often lapsed after a 3 to 5 year period and been re-instituted only after a long period! That is an historical fact so be forewarned and protect your personal research material.

Don, if I can be of any assistance in interpreting symbols, strain names, or the origin of a strain, feel free to write me at my home address. Our son Roger who lives at 6168 E. Michigan Ave. Rt. 3, Kalamazoo, MI 49001 will send our mail when we are in the south. It will also get to me from the A. M. Todd Co. eventually.

We are leaving for Arizona (or Texas if we change our minds) in a couple of days, hence I have tried to anticipate all contingencies arising from a discussion and in so doing must apologize for being so lengthy.

Best regards,

Merritt J. Murray

Merritt J. Murray

ECONOMIC STATE OF AMERICAN FARMS

Mr. DILWORTH. Thank you, Mr. Chairman. I appreciate the opportunity to testify before you again this year.

I think we have touched on several key areas this morning that actually relate to mint research. We have talked about genetic engineering and increasing our yields. Many of the farmers who have been here—and I am a farmer—have been bombarded at every meeting we have in agriculture this year by the inevitable banker or member of the PCA or various other organizations who have told us we simply have to get better in what we do. The interest rates are going steadily up. Production costs are going to go up. And if we expect to stay in business, we just have to get better.

I know the farmers in our area are very, very depressed. The bank told me the other day they estimated as high as 70 percent of last year's loans will not be renewed this spring. I was on the university faculty for 10 years before I started farming 5 years ago, and I didn't know much about this loan system so I stayed away from it for a while, while my neighbors were busy with this. At this point every farm around is in chapter 11 bankruptcy except mine because I hesitated. I believe we have a real problem with inflated loans based on inflated land values which are not related to what the land can produce. We have to figure out some way that our farmers can stay in business, because we still are the best in the world at what we do. It is unfortunate we can't make a profit at it.

MINT PROGRAM

With regard to the mint program, we talked to you last year about the collection which our industry started developing 34 years ago, because we were looking toward how we could increase our yield and how we could develop new products. The collection which our industry developed over a 25-year period and turned over to the USDA in 1973, we found this to have terrific potential. The people who were speaking to you today in the area of germplasm collections a few minutes ago were talking about the importance of developing and maintaining the materials for our country. I think this is an important thing for us, because we discussed with you last year the vulnerability of our industry should these varieties be made available to anyone outside our country.

To give an example, we have countries like Tasmania, South Africa, China, Bulgaria, and Russia, who are avidly pursuing at this time the varieties which we have turned over to the USDA.

I have here two letters, one written by the president of the company which developed the collection of 685 cultivars and another one written by the scientist working for that company in relation to how the materials were developed and in what manner they turned them over to the USDA as far as availability to anyone outside of our industry outside of our country.

When the materials were turned over to USDA, our industry supplemented them with a minimum figure of $150,000 for several years. Actually, that figure was probably more, but I have only counted the value of the checks which I had in my hand and delivered personally to the USDA researcher to maintain the varieties. During that time between 1973 and 1978, two varieties were released jointly by the USDA and by the industry. That is why the USDA did the genetics work and the industry supported the cost of field plots, chemical analysis and industrial analysis of the materials. It was our understanding that the collection would be continued to be developed in the same manner with a partnership with the industry and with the USDA. This proposal was presented to Secretary Block. It was presented to the Office of Science and Technology Policy, at their request, and we found a great deal of support for this kind of a partnership in developing the materials. We have experienced possibilities of increasing our yields up to nine times. It is something that I don't think you will hear in any of the testimony this year or probably in the near future. The potential is there, though our industry in relation to many of the other industries you have heard about remains very small.

We have been receiving a funding level of approximately $250,000 a year for the program. It is in a fledgling state, with plans to add resources at a later time. We have found, however, that the USDA has had a difficult time in relation to the amount of industry involvement necessary to keep a program like this operating. We found we had two choices. No. 1 was to come to your committee and ask you for $2 or $3 million to build the program to the level it needed to be completely self-supporting and operating independently, or we could request that the program be transitioned back to the industry. I think we understand and recognize that, with the economic situation the way it is, the first request is impossible.

Last year, we submitted a request to your committee, and received support, to transition the program back to our industry in a 3-year program. Our State—the Oregon Essential Oil Growers League—has already proceeded to form a commission where we can receive a tax base to support the program. That will be going to vote and petition this summer. The national association will be meeting this fall to generate dollars to support the program at the end of the third year.

We have found, however, that the USDA has chosen not to carry the program on for 3 years but to discontinue it at the end of this year. At this point, our industry is not ready to take the program back. However, we are on schedule with the program to be presented to us. Our main concern is that these varieties are going to be turned back and placed in the international germplasm collection which will make these varieties instantly available to any other country which is willing to work with it. As I already mentioned, we have quite a few who are ready to make instant requests for those varieties. Our industry is not ready to take over, and if the materials are turned over to the collection, it will take us 4 or 5 years to get back to the level the collection is. That gives any other State or Federal agency in another country terrific advantage over us in obtaining these, such as Tasmania, which during the 4 years we have been funding this program has developed a new variety which is now sold to the New York marketplace as perfume for $3,000 a kilogram.

During the years we funded the program, two new varieties were developed. It is time we get busy and work on other new varieties and get them to the marketplace. We cannot afford to have a gap in the research program. We need the time, and we cannot see the program being discontinued on such short notice. We feel that with the $150,000 which we contributed to the USDA, in good faith, at the same time that the 685 cultivars were turned over to the USDA, we feel that the USDA, in good faith, should work with us and allow us to transition this program back to our industry where it can stay at its high level of excellence.

MINT RESEARCH

As a result, this year our industry is asking for a one-time grant to the National Mint Industry Research Council, a nongovernment, incorporated corporation brought together for the specific purpose of funding mint research, giving them a grant of $100,000 which is 50 percent of the annual budgeting which we have been receiving on the mint program. This should allow them to transition this program in an active State, and by next year they are going to have to handle it by themselves. But our request for the amount of $100,000 is to allow us to keep this program operational and viable.

Our other request would be that these materials not be available, if they go to the germplasm collection, on an international scale. I think the letters which were written by the genetics researcher and by the company which presented it to the USDA explains that, very clearly; they were never intended to go into that avenue of commerce.

I have some additional copies of the letters I can present to you.

But while our industry is a progressive one, we are very conservative. We were here in this country for 185 years before we ever came to the Federal Government for any funding. We funded it all ourselves before, and we feel we are very competent to continue in this program on a private scale.

I appreciate the opportunity to testify before you, and if you have any questions, I would be happy to answer them.

Senator COCHRAN. Thank you, Mr. Dilworth. We appreciate your being here and bringing this problem to our attention. I do recall the testimony and discussion we had last year. I hope that a way can be found to solve the dilemma created by the budget request and also the complications that you may be receiving from USDA in this research program. We assure you we will try to help you with approving the grant or figure out another way to approach it. We will stay in communication with you and try to come up with some way to do it within the constraints of the budget and within the realistic needs that your industry and your research council have.

Thank you again for being here.

BARNES-AASTAD SOIL AND WATER CONSERVATION RESEARCH ASSOCIATION

STATEMENTS OF WILLARD R. MICKLISH AND CLARENCE ETTESVOLD, DIRECTORS, BARNES-AASTAD SOIL AND WATER CONSERVATION RESEARCH ASSOCIATION, INC., MORRIS, MINN.

ACCOMPANIED BY JOHN STOCK, M.D.

PREPARED STATEMENT

Senator COCHRAN. Our next witnesses are Willard Micklish and Clarence Ettesvold, directors of the Barnes-Aastad Soil and Water Conservation Research Association in Morris, Minn.

Welcome. Please introduce your colleague and proceed. Your statement will be made a part of the record.

PREPARED STATEMENT OF WILLARD R. MICKLISH AND CLARENCE ETTESVOLD

BARNES-AASTAD SOIL AND WATER CONSERVATION RESEARCH ASSOCIATION, INC.

Our association has appeared before this committee in each of the past 12 years in support of USDA research in general, and in particular in support of the research efforts of the USDA program conducted at the North Central Soil and Water Conservation Research Laboratory. We wish to thank you for the privilege and opportunity to once again appear before this subcommittee in support of the NCSCRL's research programs. As active board members of our association of interested farmers and rural businessmen, we speak to the concerns of the agricultural community represented by the four-State zone of responsibility designated for the NCSCR Lab.

In brief, we are requesting that the base funds for the NCSCRL be increased by $250,000 to support the return to the staff of two scientists lost by past employment ceiling restrictions. In addition, we request that travel ceilings be lifted to allow the scientific staff to maintain their technological currency and allow for necessary field data collection.

The research program at the North Central Soil Conservation Research Lab at Morris, Minn. is directed to regional and national concerns that assist us in soil conservation and in agricultural production. The research team at the Morris Laboratory is working on continuous research that addresses two currently identified high priority research areas. These areas are (1) the identification and control of factors associated with soil erosion that cause a loss in soil productivity, and (2) the identification and removal of barriers to crop yields. These efforts deal with improved water management, conservation tillage practices, improved residue managment, nitrogen use efficiency and erosion and water quality control.

The North Central Soil Conservation Research Laboratory is in the city of Morris, which is located in rural west central Minnesota. The lab's primary mission is to conduct research on soil and water conservation problems and crop production problems in Minnesota, eastern North and South Dakota and northwestern Iowa. The research programs carried out at the lab are often cooperative efforts with agricultural experiment stations of the University of Minnesota and the USDA Northern Grain Insects Laboratory at Brookings, South Dakota. The lab's history of research accomplishments is to be envied, yet much more remains to be accomplished.

Over the past year, we have seen the present administration continue with and intensify budget cutting policies and the imposition of employment and travel ceilings. The small increase for agricultural research that appears in the proposed fiscal year 1983 budget indicates some change in relative priorities, but it fails to compensate for past reductions as well as cumulative losses related to inflation. In addition, we see no indication of any changes to relieve the restrictive manpower and travel ceilings imposed on our vitally important agricultural research staff.

Our country's greatest strength is represented by the productive capability of its agriculture. As producers of agricultural products, we are concerned that future funding be increased in real dollars, and that manpower and travel ceilings are modified to insure that our researchers can develop the knowledge needed to improve crop production efficiency while maintaining our priceless agricultural soil base. It is absolutely critical that the United States maintain its dominant position in agricultural production while protecting and preserving its resources. We cannot continue to allow one-fourth of our 413 million acres of presently used cropland to erode at rates faster than it can be replaced by nature. As farmers, we are being asked to increase productivity to meet world needs in the face of continually decreasing profit margins. At the same time, we are asked, expected, and in fact, we must do this in ways that will reduce erosion and decrease adverse environmental impacts. This can only be accomplished through improved agronomic practices developed as a result of continuous, long-range agricultural research.

The productivity of the Morris laboratory has been exemplary but has been restricted by budgetary limitations and by personnel and travel ceilings. These restrictions must be removed. Therefore, we request that the laboratory's base funds be increased by $250,000 to support the return to the staff of two scientists lost to past employment ceiling restrictions. These scientists should be a plant physiolgist and a plant biochemist. They are urgently needed to study the effects of environmental and soil related stress on crop production. Their addition to the present staff will make it possible for the laboratory to more quickly and completely fulfill its mission and will have a major impact on the major crop producing States in the Midwest. In addition, we request that travel ceilings be lifted to allow the scientific staff to attend the planning sessions, conferences and meetings necessary for research coordination and to maintain technological currency while allowing for the travel required for essential field research data collection. We strongly urge this subcommittee to honor our request.

INTRODUCTION OF ASSOCIATE

Mr. MICKLISH. Thank you, Senator Cochran. We appreciate your having had a long morning.

Senator COCHRAN. I am sorry the time has run over on us. We had hoped that the witnesses could have been handled quicker, but that is the way things are. We appreciate your patience.

Mr. MICKLISH. We represent the Barnes-Aastad Soil and Water Conservation Research Association which supports the North Central Soil and Water Research Facility at Morris, Minn. This has jurisdiction over the entire Red River Valley and parts of South Dakota and Iowa.

I would like to introduce Clarence Ettesvold, who is the director, and Dr. John Stock, who is a specialist in internal medicine.

Because of the 2-week separation in the House and Senate hearings, we are also speaking for the Eastern South Dakota Soil and Water Conservation Research Farm at Madison, S. Dak., which is a satellite to the Morris facility. They represented us in the House before Congressman Whitten.

RESEARCH SCIENTISTS

Basically, 3 years ago our research facility lost three scientists in the field of spray irrigation, and this apparently was done in some kind of bureaucratic mistake. They have replaced one of those three lost scientists. The second scientist that was to be replaced was caught in the hiring freeze. And so, today we are asking that two of these lost scientists be replaced.

I remember that last year we were here in front of Senator Burdick and Senator Andrews from North Dakota, and they were very supportive, because this North Central Soil and Water Research Center has been highly productive. One reason for it is this close working relationship with the University of Minnesota which is stationed at Morris. Our request is basically to replace $250,000 to support these two scientists plus their staff.

That concludes my part. I would like to turn to Clarence Ettesvold.

Mr. ETTESVOLD. Good morning. Thank you, Senator Cochran, for the privilege of being here today and representing our association out in western Minnesota.

I have farmed all of my life in that area. I was instrumental in working with Congressman Whitten at the time the station was started at Morris. It has been a number of years ago. I appeared before this committee and his committee last year in support of the station.

SOIL AND WATER CONSERVATION RESEARCH

When they first started out there, they had to have some place to have their plots, and they had some plots on my farm, and later the Barnes-Aastad Association bought some land on which they have been running several of the plots. But they do cooperate with the University of Minnesota Experiment Station in Morris and have some of the plots there.

I have watched and worked with this association and this research station at Morris since it started, which has been a number of years ago, and I feel we need these two additional men to study what the results of minimum tillage and no tillage planting can do as far as worms and wheat, which is also in competition to our farming. I don't feel we as farmers can afford to do this and still produce cheap food and stay alive. We know there are lots of farmers going under right now because of the situation there is. I know you as a committee can't do anything about that, but we would like to be sure of your support for these additional men at our station.

RESOURCE CONSERVATION AND DEVELOPMENT

In the last 20 years I have been working on the State level, State of Minnesota, promoting soil and water conservation research. As a member of the NACD—National Association of Conservation Districts—and a member of the Western R.C. & D., covering the west central part of Minnesota, we are requesting $50 million for rural development, and hope you can look favorably to this. I understand it is in the farm bill at $26 million, but we don't feel that is adequate to continue the R.C. & D. over the United States.

Thank you.

Senator COCHRAN. Thank you.

Dr. STOCK. I am John Stock from Morris, Minn. Besides being a specialist in internal medicine, I own and operate a fourth generation farm. It is obvious the top soil loss is severe. That will affect our generation and future generations, both in the United States and abroad. Research into soil and water conservation and subsequent education of the farming community is currently of the utmost importance. With minimum tillage and conservation information provided by the North Central Soil and Water Conservation Association, I have changed my own management practices with regard to farming, and I am beginning to see others do the same. So the money that has been spent in the past has shown some true results.

However, at the present time more research and information are necessary to stop top soil erosion.

That is all.

Senator COCHRAN. Thank you very much. You have certainly highlighted a problem we all realize. In some areas of my State, we are seeing losses of up to 20 tons per acre per year, and that is above the national average. But I know out there in your part of the country—isolated areas of Iowa and probably Minnesota and the Dakotas as well—that we have some even more serious problems. We certainly need to put emphasis in trying to figure out how to deal with the soil and water conservation problems.

We will do our best to help you out with your research lab. We will be working closely with Senator Andrews, who is from North Dakota; with Senator Abdnor, who is from South Dakota; and with Senator Burdick, who is from North Dakota; all of whom are interested in this program. I am sure they will help explain to the subcommittee the need that you have there, and we will do the best we can to help out.

Mr. MICKLISH. Senator Cochran, we have been coming here for 12 years, and your committee and Jamie Whitten's committee have been very supportive of our research center, and we appreciate that.

Senator COCHRAN. Thank you.

NATIONAL ASSOCIATION OF FARMER-ELECTED COMMITTEEMEN

STATEMENT OF ED BOWMAN, PRESIDENT, NATIONAL ASSOCIATION OF FARMER-ELECTED COMMITTEEMEN

INTRODUCTION OF WITNESS

Senator COCHRAN. Our next scheduled witness is Mr. Ed Bowman, president of the National Association of Farmer-Elected Committeemen.

Mr. Bowman, you are representing the National Association of Farmer-Elected Committeemen. I know many persons from that association in my State personally. Some are very good friends. We appreciate your taking time to be with us this afternoon, and I am sorry we have not been able to stick to our schedule. I appreciate your patience.

Mr. BOWMAN. In the interest of time, I will try to summarize my statement and be brief.

I do appreciate the chance to come before you and to speak to you. Certainly as farmer-elected committee members, we do have the task of administering the programs the Congress in its wisdom has enacted, and we have had an input into some of the leadership in that respect.

We also recognize the leadership of you, sir, and Congressman Whitten and others on both the Senate and House side on these programs.

PREPARED STATEMENT

I just wish to emphasize a few points in my statement, as I know my full statement will appear in the record. It is also harder to convince a Senator with an empty stomach.

[The statement follows:]

PREPARED STATEMENT OF EDWARD A. BOWMAN

NATIONAL PRESIDENT

NATIONAL ASSOCIATION OF FARMER ELECTED COMMITTEEMEN

Mr. Chairman, Members of the Subcommittee on Agriculture,
Rural Development and Related Agencies

The National Association of Farmer Elected Committeemen are the members of locally elected committees from each area of the United States that administer farm programs at the local level. As such, we are in a unique position of judging the relative merits of farm programs. As individual farmers we participate in the programs on our own farms. As Committeemen we see at first hand the accomplishments of farm programs, and if the program has a weakness we are the first to see the pitfall in that program.

At the present time our federal government is making a determined effort to turn over to individual states and local government units more and more of the responsibility for the operation of programs that have been previously administered at the federal level. Along with responsibility for these programs to be administered locally goes the financial responsibility for funding of these programs.

Our Association recognizes the possibilities in the decentralization of government and believe there are areas of need that are best served by local government units. These might well include the administration of our public schools, libraries and fire protection units.

On the other hand there are some areas of government responsibility that are better served both from the standpoint of accomplishment and economy if administered at the federal level. Examples of these are: soil and water conservation, all risk crop insurance and price support programs.

Soil and water conservation is one of the most pressing needs of our nation. Our nation's farmers and ranchers that live on the land have for generations seen at first hand the effect of good as well as poor conservation of these resources. In more recent years this awareness has been shared by an increasing number of urban dwellers as well. With an ever increasing world population and a shrinking amount of land available for production it is easy to understand the common concern of our citizenry for the food supply of the future.

It would be easy for our federal government to pass their concern to our individual states and charge them with the responsibility of alleviating the problem. However, 50 states working independently with 50 different programs would not give us the continuity of purpose or the overall coordination of effort that is required for such an important undertaking. Nor does any state have the financial ability at the present time for this increased burden that would be placed on their budget appropriations.

Soil and water conservation can be more efficiently coordinated from the federal level with one unity of purpose and a continuity of direction annually. In this regard our Association would strongly urge this Sub Committee to restore the funding of the Agricultural Conservation Program, commonly called ACP to a minimum of $190 million as provided in the budgets of the last few years. This program which cost shares soil and water conservation practices with this nation's farmer has through the years established an enviable record of accomplishments. Todays farmer is at best a temporary steward of the farm he owns or operates. He is desirous of placing the permanent long lasting soil and water conservation practice on his farm but he is unable to do so because of the cost involved. A federal cost share in this instance is justified as it is a long time investment not only on the farm involved but for the land above and below the conservation practice.

The area involved then becomes an improvement to the general community including municipalities and urban development. The ultimate benefactors are the generations as yet unborn that will have ample food and water supply because of the foresight and planning of this government and this generation.

Some have criticized the Agricultural Conservation Program in past years because it was inadequate to the increased needs of soil and water conservation. My answer to this criticism is our funding of ACP has not been sufficient to our need. $500 million was provided in the original "Soil Conservation and Domestic Allotment Act" of 1936 for the program. Economists tell me that $500 million in 1936 would be equal to $30 billion today. Instead of the $30 billion or even the original $500 million I am here today pleading with you to restore the $190 million of this past year.

Other areas of efficiency at the federal level could be in the federal crop insurance and price support programs.

The Federal Crop Insurance Act of 1980, public law 96-365, provides all risk all commodity crop insurance. To avoid the duplication of services within government agencies NAFEC would urge the expanded use of the Agricultural Stabilization and Conservation Service agency (ASCS). ASCS has offices in every agricultural county of the United States. Federal Crop Insurance Corporation does not have offices in each county and would have the additional cost of establishing one. The services performed by FCIC could be handled without additional staffing by ASCS. These services include acreage certification, claims service and the sale and service of the policy itself. At a time when we are looking for efficiency in government the transfer of FCIC to ASCS is a prime example of savings to the American taxpayer and a means of balancing our federal budget.

The third area of economical administration of programs at the federal level is in price support programs. The current economical crisis in the agricultural economy is an indication of the need for federal involvement. This problem can be helped at the state level, but an individual state would be completely powerless to act if there was not overall supervision and effort on the part of the federal government to direct.

Price support programs are self supporting if properly administered. Farmers that take price support loans on individual commodities pay these loans back with interest in amounts equal to the cost of the money to the federal treasury. Loans for the building of farm storage facilities and drying equipment are likewise paid back by the farmer in full with interest at a rate at least equal to the cost to the federal government. So both of these programs are self supporting and should be expanded. At present the facility loan program has been discontinued. If the grain reserve program is to fully operate as intended it will be necessary to build additional storage facilities. If the U. S. farmer that has recently signed his intention to participate in the reduced acreage program is to proceed with that compliance, it is of prime importance that the facility loan program be made available once again as soon as possible so that our farmers can make their 1982 cropping plans accordingly.

Another concern of NAFEC is in the use of Community Committees, to administer farm programs. Beginning in 1982, 5 states abolished all Community Committees. Other states, are considering similar action in 1983. State Committees of ASCS are taking this action in the name of economy. They ignore the fact that Community Committees are the best informed and most respected farmers in their communities. As such their awareness of programs is of tremendous assistance in publicizing any federal programs. Recently Community Committees were asked to attend information meetings on the reduces acreage program. This was done at their own time and expense. Their percentage of attendance and interest was exemplary. Immediately following these meetings there was an immediate "turn around" in general farmer acceptance of the program. Signup periods have now ended with Community Committees leading the way and encouraging others to follow their example in program participation. This is one example of the need for Community Committees.

Another example could be in the acceptance of the federal crop insurance program. It is no secret that this program has not been generally accepted by the American Farmer. I submit to this Committee that the federal crop insurance program will be accepted and used if turned over to these same Community Committeemen for administration. They are the one group in each area of this nation that can best provide the proper yield level guarantees for insurance protection and the proper rates of premium charge on a sound actuarial basis. These same Community Committees are in the best position to choose the practices and the proper cost share rates for any soil and water conservation program. In short they are the best investment for the minimum cost of any government expenditure in the Agriculture Department.

I would suggest this Congress pass the necessary legislation to guarantee that Community Committees be reestablished in those states where they have been abolished and continued in those states that still have them.

Thank you, Mr. Chairman, for this privilege of testifying before this Committee. If I can answer any questions that the Committee might have I would be happy to do so. Thank you.

PROGRAMS SERVED AT FEDERAL LEVEL

Mr. BOWMAN. Some programs are better served at the local level, and I think the present emphasis of our government is to decentralize the Federal Government. I think in the case of public schools, public libraries, and fire protection, this might be accomplished in that manner. At the same time, I think there are some areas of government responsibility that are better served both from the standpoint of accomplishment and economy and administration at the Federal level, and these are soil and water conservation and price support programs.

SOIL AND WATER CONSERVATION

Certainly, soil and water conservation, as we think of it today, is one of the more pressing needs of the country in not only the rural area but the urban society as well. As we think of the shrinking amount of land available and the increased demand with increasing populations in the world, certainly we are on a collision course with our needs and with our demands. It is hard to talk about that when there is a surplus, or at least more than enough, today of profitable products. That day is coming, and soon I am afraid, when that will not be true, and we will have a problem of supplying the needs of our own people, let alone those of developing countries around the world.

Soil and water conservation can be more efficiently coordinated from the Federal level, I believe, if we have a coordinated program, and I urge this subcommittee to restore the full funding of $190 million to the agricultural conservation program commonly known as ACP. As divided in the budget in the last few years, the program that cost shares soil and water conservation has established an enviable record. Today, a farmer is a temporary steward of the soil. He desires to place long lasting improvement on his farm and is unable to do so because of cost. Federal cost share is justified as it is a long-term investment not only on the farm but also for the land above and for the farm below the conservation practice.

The area involved then becomes an improvement to the general community, including municipalities and urban development. The ultimate benefactors are the generations as yet unborn that won't have ample food and water supply because of the poor foresight and planning of this government and this generation.

Some have criticized the agricultural conservation program in past years, because it was inadequate to the increased needs of soil and water conservation. My answer to this criticism is our funding of ACP has not been sufficient to our need. $500 million was provided in the original Soil Conservation and Domestic Allotment Act of 1936 for the program. Economists tell me that $500 million in 1936 would be equal to $30 billion today. Instead of $30 billion, or even the original $500 million, I appear here to have the $190 million restored that we had this past year.

FEDERAL CROP INSURANCE

Other areas of concern which, I believe, we can economize and by so doing, eliminate unnecessary expense, and we are all in favor of that, is through the Crop Insurance Act being administered by the ASCS. As you are aware, we do have ASCS offices in almost all agricultural counties of the United States, where crop insurance does not. We have the additional expense of providing office space, equipment, and personnel.

PRICE SUPPORT PROGRAMS

A third area of concern in which we might save some money are the price support programs which are self-supporting if properly administered. Farmers that take price supports on individual commodities pay the loans back with interest in amounts equal to the cost of the money to the Federal Treasury.

FARM STORAGE FACILITIES

Loans for the building of farm storage facilities are likewise paid back by the farmer in full, with interest, at a rate at least equal to the cost to the Federal Government. Both of these programs are self-supporting and should be expanded. At present the facility loan program has been discontinued. If the grain reserve program is to fully operate as intended, it will be necessary to build additional storage facilities. If the U.S. farmer who has recently signed his intention to participate in the reduced acreage program is to proceed with that compliance, it is of prime importance that the facility loan program be made available once again as soon as possible so that our farmers can make their 1982 cropping plans accordingly.

COMMUNITY COMMITTEES

Another concern of our association is the abolishment of community committees. At the present time five States have abolished all community committees for the current year 1982, with other States considering that in 1983. They ignore the fact that community committees are the best informed and most respected farmers in their communities. As such, their awareness of programs is of tremendous assistance in publicizing any Federal programs. Recently, community committees were asked to attend information meetings on the reduced acreage program. This was done at their own time and expense. Their percentage of attendance and interest was exemplary. Immediately following these meetings, there was an immediate turnaround in general farmer acceptance of the program. Signup periods have now ended, with community committees leading the way and encouraging others to follow their example in program participation. This is one example of the need for community committees.

Another example could be in the acceptance of the Federal crop insurance program by these community committees. It is no secret that this program has not been accepted by the American farmer. I submit to this committee the Federal crop insurance program will be accepted and used if turned over to these same community committees for administration. They are the one group in each area of this Nation that can best provide the yield level of guarantees for insurance protection and the proper rates of premium charge on a sound actuarial basis. These same community committees are in the best position to choose the practices and the proper cost-share rates for any soil and water conservation program. In short, they are the best investment for the minimum cost of any Government expenditure in the Agriculture Department.

I suggest that Congress pass the necessary legislation to guarantee that community committees be reestablished in those States where they have been abolished, and continued in those States that still have them.

Thank you, Mr. Chairman, for the privilege of speaking with you. If I can answer questions, I would be happy to do so.

Senator COCHRAN. Thank you, Mr. Bowman.

The Federal crop insurance program worries me, as obviously, it does you and many other farmers and elected committeemen. Whether or not the transfer of responsibilities to ASCS, in the way you suggest, is the complete answer to the problem, I don't know. But we are going to have some hearings, you might be interested in knowing, under the auspices of the subcommittee I chair on the Agriculture Committee. Those hearings are scheduled for later this month, and at that time we hope to take a look at some of the suggestions, such as yours, and talk about them in more detail than we have today. That problem does have our attention, and I appreciate your reminding me of the suggestion of the committeemen.

The legislation that you suggest to require the reestablishment of these community committees is interesting to me, too. I didn't realize we were seeing State committees abolishing the community committees.

Mr. BOWMAN. Five have done so. We have two others who have announced to do so by January 1983. Some of these are some major States with very big agricultural economies and with many commodities. Certainly, if it is done in those areas, perhaps it could be done in others. This bothers me because to me this is the best investment.

Senator COCHRAN. Is the current law permissive and simply a basis for those community committees? Does your suggested legislation make it mandatory?

Mr. BOWMAN. The current law is tied to the conservation program. It is an interpretation of the reading of that law as to the legality of the abolishment of the committees—certainly, county committees to a lesser degree than community committees. In my judgment, any Federal judge would have a very good case on his hands to interpret that 1936 act and to determine that community committees cannot be abolished as the law presently reads.

Senator COCHRAN. But the county committees are not being abolished, just the community committees.

Mr. BOWMAN. They are being considered to be abolished in some areas.

Senator COCHRAN. Well, I think that is a subject we need to explore, and I appreciate your bringing that up as well. Your testimony is very helpful to the subcommittee. We appreciate your having the patience to wait around and present it to us.

Mr. BOWMAN. Thank you, sir.

AIRPORT OPERATORS COUNCIL INTERNATIONAL, INC.

STATEMENT OF J. J. CORBETT, VICE PRESIDENT, FEDERAL AFFAIRS, AIRPORT OPERATORS COUNCIL INTERNATIONAL, INC.

Senator COCHRAN. Mr. J. J. Corbett is our next scheduled witness. He is vice president of Federal Affairs for the Airport Operators Council International.

Welcome, Mr. Corbett. Thank you for waiting.

Mr. CORBETT. As a city boy, Mr. Chairman, it has been an educational morning.

For the record, the Airport Operators Council International is the association of local governmental officials in cities and counties that run major U.S. airports served by airlines. You may recall from your House service that a number of airports in your State are represented in our association.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Our concern today has to do with the appropriation for the Animal and Plant Health Inspection Service of the Department of Agriculture which, along with the Customs Service and Immigration and Naturalization Service, inspect passengers and baggage entering U.S. international airports. Our association did a survey last year, Mr. Chairman, to see how those services at those major international airports were going. As our attachment indicates, the airports complain that 64 percent of all international passengers found those services generally inadequate. In looking further into this, we find 2-hour delays at major airports, because some of the inspection agencies are unable to process passengers and baggage in a facilitative way, while also fulfilling enforcement responsibilities.

In part, to meet this concern of increasing arriving international air passengers every year and decreasing, or at best, stable numbers of Federal inspectors, given the fiscal constraints we are all aware of, we have seen increasing delays at airports. It is very difficult to tell passengers, who have often come off a 7-hour flight, that they have to wait 2 hours for processing. We have worked with the agencies to develop ways to improve the process.

At Miami and Los Angeles they have done two 6-month tests of a process which is designed to get passengers inspected more quickly while keeping enforcement results up. As our testimony indicates, those two tests have been very successful. There has been an average of a 23-minute reduction in processing time in Miami and a 17-minute reduction in Los Angeles, and for APHIS the enforcement results are up. So it is a successful program up to this point.

Our suggestions to the subcommittee are to extend this so other international airports can use the more facilitative mechanism of inspecting passengers and baggage. We think that is very helpful to the cities we represent as well as to the passengers.

But there is a relationship between numbers of passengers and numbers of inspectors. The process itself is not a panacea. Over time, we anticipate that there will be a need for more APHIS inspectors as more passengers come into the States. We are not asking for an increase of the administration proposal for 1983. But the equation is worrisome, that we have more passengers and we don't have more inspectors, so the delays increase.

We have two suggestions in the back of our testimony you may wish to consider in the future. One suggestion is, if a user tax base could be put on all the inspection functions—not just APHIS, but Customs and Immigration—so that the arriving passenger would pay a somewhat higher Federal tax for the arrival function, we could generate some additional funds that would let OMB, perhaps, be a little more responsive to the need for additional APHIS inspectors.

Also, we believe there are a lot of turf issues among the three inspection services—customs, immigration and APHIS—and we think, over time, Congress should consider having a single broad management agency with representatives of all those three agencies being cross-trained to do each other's work, so it will not be necessary to have different personnel from different agencies doing essentially the same kind of work at U.S. airports.

That is the gist of our testimony, Mr. Chairman.

Senator COCHRAN. Thank you very much, Mr. Corbett. You are very kind to bring this concern to the attention of the subcommittee. Your suggestion about the change in bringing together the inspection agencies under one roof, in effect, is very interesting and certainly does merit the consideration of the Congress.

Thank you very much. I don't have any questions. I remember you when I was on the Aviation Subcommittee over in the House.

Mr. CORBETT. I think from that experience you know the airport trust fund historically has been a charge of $3 on arriving international passengers that has been imposed by the Federal Government. It goes into the trust fund. We have suggested in testimony to other committees were that $3 charge to be increased to $5, it could pay for half of the direct cost of the inspection of passengers and baggage by APHIS, Customs, and Immigration. So as your budget pressure increases you may want to consider something along that line.

Senator COCHRAN. Sounds like a very good suggestion.

Thank you very much.

[The statement follows:]

PREPARED STATEMENT OF J. J. CORBETT

AOCI VICE PRESIDENT, FEDERAL AFFAIRS

AIRPORT OPERATORS COUNCIL INTERNATIONAL

Mr. Chairman, I am J. J. Corbett, AOCI Vice President - Federal Affairs of the Airport Operators Council International (AOCI). The Airport Operators Council International is the association of the primarily local governments that own and operate the principal airports served by the scheduled airlines in the United States and around the world. Our member airports annually enplane more than 90% of the total domestic and virtually all of the U.S. international scheduled airline passenger and cargo traffic. Worldwide, our international member airports enplane two-thirds of all airline passengers on six continents (Attachment A).*

On behalf of our U.S. members, and more particularly the largest 25 U.S. international airports that this year will receive more than 30 million arriving international passengers, we are grateful for this opportunity to comment on the FY'83 budget proposal for the port of entry inspection program of the Department of Agriculture's Animal and Plant Health Inspection Service (APHIS).

- Airports and Facilitation

At the beginning it might be helpful to more fully describe the role of the airport operator and its community in the U.S. international facilitation program. For foreign visitors travelling by air, the airport and its reception and Federal Inspection Services (FIS) (Customs, Immigration and Agriculture) create their first impressions of the United States and, more particularly, of the city of arrival. How these visitors are treated in the inspection process is thus highly important to the community operating that airport.

Returning U.S. nationals and residents often view the Federal inspection and clearance process somewhat differently, as a necessary but burdensome process seemingly designed to test their patience after a long, wearying international journey. For all these arriving international air travelers, the airport operator and its community wants to assure a good impression, a warm welcome or a welcome home.

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*Both Attachments are presented for the Subcommittee's files and not for the printed hearing record.

More specifically, while the airport operator has to provide the space and facilities in which the Federal Inspection Services undertake their screening of arriving passengers and baggage, it can neither directly influence the procedure used by the Federal agencies nor assure that adequate manpower will be available to avoid processing delay. Those are Federal Governmental decisions but we have had some suggestions for improvement that the FIS agencies are now responding to.

We have long urged that the Federal Inspection Services should, in close cooperation with U.S. international airlines and the operators of our nation's international airports, adopt all practicable measures to facilitate international air travel and to prevent unnecessary delays to aircraft, crews, passengers, baggage and cargo.

While Federal inspection and clearance procedures must emphasize the protection of the public from smuggling activities, particularly of narcotics, and from contraband agricultural products, plant pests, communicable diseases and the illegal entry of aliens, we believe that these objectives are consistent with a vastly improved international aviation facilitation program.

- Survey of Inspection Services at U.S. International Airports

Mr. Chairman, our 1981 survey of U.S. international airports (Attachment B) indicates that the fourteen primarily largest airports enplaning some 64% of all arriving international air passengers judged their Federal Inspectional Services as Inadequate. In contrast, an additional eleven international, primarily smaller, airports handling 14% of all air arrivals judged their FIS services to be Adequate.

While none of the complaints refer specifically to APHIS staffing or processes, a reading of the narrative responses from the international airports judged Inadequate is highly disturbing. Unmanned Customs inspection booths and two-hour passenger processing delays are often cited. Contributing factors to passenger congestion are airline peaking of flights and inadequate facilities in airport arrival halls to handle all the passengers aboard jumbo jets that often arrive simultaneously.

There are, however, three recurring themes in these reports from around the nation. First, the numbers of arriving international air passengers in recent years has increased 5% to 15% annually. Next, in those same years, the FIS agencies as a group have been unable to increase their airport inspectional manpower levels in proportion to the increasing workload or at all although APHIS, recently, has increased its manpower at U.S. airports. Thus, the net result has been unacceptable increases in average processing delays for arriving passengers at too many major international airports.

- Sole Remaining Options: More Efficient Inspection Process or More Manpower

All indications are that additional increasing delays simply will not be tolerated by the travelling public. The only remaining options are these:

(1) Either the FIS agencies must modify their inspection process to achieve the same or improved enforcement results in less time;

or

(2) The Congress must increase APHIS and other FIS agency inspectional forces in some proportion to traffic increases.

Mr. Chairman, because of the budget constraints facing the Congress as exemplified by the tight budget proposed by the Administration for APHIS in FY'83, we hope you will continue to support efforts within APHIS to modernize its passenger hand baggage and luggage inspectional process at all U.S. international airports.

- ASIST Test Program Has Been Highly Successful

This Congress deserves a large measure of appreciation for its efforts in the FY'82 Customs authorization process to encourage Customs, Immigration and APHIS to undertake some innovative steps to improve their inspection processes without diluting the enforcement function.

Mainly because of Congressional and local pressures, the FIS agencies in January completed a six-month test of a more efficient and facilitative inspection process at Los Angeles and Miami International Airports called ASIST (Accelerated Specialized Inspection System Test). While the agencies have recently completed the analysis of their data from the test and have sent their recommendations for the future to the Treasury Department for eventual submission to Congress, the General Accounting Office has already completed and released its report on the six-month test program at the those two airport locations.

In its March 22, 1982 Report, One-Stop Inspection System Speeds the Entry of International Travelers (GGD-82-62), the Comptroller General found that the ASIST process speeds the entry of arriving air passengers by an average of 23 minutes in Miami and 17 minutes in Los Angeles (reductions of 39% and 35%, respectively, from pre-ASIST times). In addition, APHIS enforcement results are also improved. According to GAO data, the numbers of travelers at Miami and Los Angeles Airports who had agricultural products seized increased 3.2% and 56.4%, respectively, during the ASIST test period. Interceptions of pests and diseases determined to be of quarantine importance to APHIS also increased 34% and 164%, respectively, at the Miami and Los Angeles test sites.

Mr. Chairman, the officials of APHIS have been most cooperative in attempting to find ways, such as ASIST, to facilitate passenger processing while not reducing agricultural protection. They are to be commended for their willingness to try new processes. However, neither APHIS nor U.S. airport proprietors are now pressing for implementation of the same "Red Door"/"Green Door" process that is already in place in Europe. We want this Subcommittee and the agriculture community to know that any future modifications to APHIS' passenger inspection processes must be incremental, so as to ensure that its agricultural protection function is not sacrificed.

- AOCI Recommendations to Congress

1. Since the ASIST program has already proven itself in the two airport test locations, it should also be implemented, with modifications as needed, by APHIS and the other FIS agencies at as many other U.S. international airports of entry as can be configured to accept it for Summer 1982.

2. ASIST is not a panacea. Adequate levels of FIS inspectors still must be provided to service increasing numbers of international arrivals. It is our understanding that APHIS will be able to provide the same level of manpower at U.S. airports under the President's FY'83 Budget proposal for Summer 1983 as in Summer 1982. Unless Congress allows more manpower over the long term in some proportion to passenger traffic increases, any improvement during FY'83 and thereafter will have to be by process and not by numbers of inspectors.

3. In contrast to present practice, we believe that the international traveler should pay for part of the cost of the FIS airport passenger inspection process. We have proposed that the $3 international passenger tax that historically has been imposed to cover the U.S. Government's cost of providing safe airport and airway facilities should be increased, as proposed in pending legislation, by $2 to a total of $5 to cover, as well, about half of the direct costs incurred by the FIS agencies for passenger processing.

4. Ultimately, AOCI members believe that Congress should move to a single border management agency to handle all passenger inspection functions. The cross-training that has occurred between Customs and INS as part of the ASIST test program is a progressive step toward that broader objective.

- Early Final Decision on National Implementation of ASIST Needed

Beyond its approval of full FY'83 funding for APHIS, this Subcommittee in our view can be most helpful in assuring that APHIS and the other FIS agencies decide on early implementation of the ASIST inspection process without any unnecessary delay.

Airport operators need as early a decision as possible on the ASIST program because many airport communities (Los Angeles, Seattle, New York, Minneapolis-St. Paul) are in the final design phase for new and costly international arrival facilities and they need to know the future pattern of traffic flow to be used by the FIS agencies to complete those designs.

In summary, Mr. Chairman, we would appreciate any assistance your Subcommittee could offer -- through early hearings on the ASIST test results -- to assure other communities that ASIST, when approved and as modified, will not be denied them for the coming summer season.

Thank you.

ATTACHMENT A

AIRPORT OPERATORS COUNCIL INTERNATIONAL ROSTER OF MEMBERS

The Airport Operators Council International (AOCI) is the association of the primarily local governments that own and operate the principal airports served by the scheduled airlines in the United States and around the world. AOCI member airports annually enplane more than 90% of the total domestic and virtually all of the U.S. international scheduled airline passenger and cargo traffic. Worldwide, AOCI international member airports enplane two-thirds of all airline passengers on six continents. AOCI represents only its United States membership in testimony before Congress and in appearances before Executive Branch agencies.

UNITED STATES MEMBERS

ALABAMA:	Birmingham - Department of Aviation
ALASKA:	Alaska - Department of Transportation & Public Facilities
	Juneau - City and Borough of
AMERICAN SAMOA:	Pago Pago - Government of
ARIZONA:	Phoenix - Aviation Department
CALIFORNIA:	Bakersfield - Kern County Department of Airports
	Burbank - Burbank/Glendale/Pasadena Airport Authority
	Fresno - City of
	Los Angeles - Department of Airports
	Oakland - Board of Port Commissioners
	Palm Springs - City of
	Riverside - City of
	Sacramento - County of
	San Diego - Unified Port District
	San Francisco - City and County of
	San Jose - City of
	Santa Ana - Orange County Airport
	Santa Barbara - Municipal Airport
	Stockton - San Joaquin County
COLORADO:	Colorado Springs - City of
	Denver - City and County of
	Pueblo - Memorial Airport
DISTRICT OF COLUMBIA:	Washington - Metropolitan Washington Airports
FLORIDA:	Daytona Beach - Regional Airport
	Fort Lauderdale - Board of Broward County Commissioners
	Fort Myers - Lee County Airport
	Jacksonville - Port Authority
	Melbourne - Airport Authority
	Miami - Dade County Aviation Department
	Orlando - Greater Orlando Aviation Authority
	Palm Beach - Board of County Commissioners
	Pensacola - City of
	Sarasota-Manatee - Airport Authority
	Tampa - Hillsborough County Aviation Authority
GEORGIA:	Albany - Albany-Dougherty County Airport
	Atlanta - Department of Aviation
	Savannah - Airport Commission
GUAM:	Guam - Government of
HAWAII:	Honolulu - Department of Transportation
ILLINOIS:	Chicago - Department of Aviation
	Moline - Rock Island County Metropolitan Airport Authority
	Peoria - Greater Peoria Airport Authority
	Rockford - Greater Rockford Airport Authority
	Springfield - Airport Authority

INDIANA:	Fort Wayne - Board of Aviation Commissioners Indianapolis - Airport Authority South Bend - St. Joseph County Airport Authority
IOWA:	Cedar Rapids Des Moines - Department of Aviation Mason City - Municipal Airport Commission
KANSAS:	Topeka - Metropolitan Airport Authority Wichita - Airport Authority
KENTUCKY:	Lexington - Lexington-Fayette Urban County Airport Board Louisville - Regional Airport Authority of Louisville and Jefferson County Paducah - Airport Corporation
LOUISIANA:	Baton Rouge - Greater Baton Rouge Airport District Lafayette - Airport Commission New Orleans - Aviation Board
MAINE:	Bangor - City of
MARIANA ISLANDS:	Saipan - Bureau of Transportation Saipan - Mariana Islands Airport Authority
MARYLAND:	Maryland - State Aviation Administration
MASSACHUSETTS:	Boston - Massachusetts Port Authority
MICHIGAN:	Detroit - Board of Wayne County Road Commissioners Flint - City of Freeland - Tri-City Airport Commission Grand Rapids - Kent County Aeronautics Board Kalamazoo - Municipal Airport Lansing - Capital Region Airport Authority Muskegon - County Airport
MINNESOTA:	Minneapolis-St. Paul - Metropolitan Airports Commission
MISSISSIPPI:	Gulfport - Gulfport-Biloxi Regional Airport Authority Jackson - Municipal Airport Authority Laurel/Hattiesburg - Pine Belt Regional Airport Authority
MISSOURI:	Columbia - City of Kansas City - Aviation Department St. Louis - Airport Authority St. Louis County - Spirit of St. Louis Airport Springfield - Municipal Airport Board
MONTANA:	Great Falls - International Airport Missoula - County Airport
NEBRASKA:	Lincoln - Airport Authority North Platte - Airport Authority Omaha - Airport Authority
NEVADA:	Las Vegas - Clark County Department of Aviation Reno - Airport Authority of Washoe County
NEW HAMPSHIRE:	Manchester - Airport Authority
NEW JERSEY:	Trenton - Mercer County Airport Atlantic City - Airport Utility
NEW MEXICO:	Albuquerque - City of

NEW YORK:	Binghamton - Broome County Airport Buffalo - Niagara Frontier Transportation Authority New York - Metropolitan Airports Authority New York - Port Authority of New York and New Jersey Syracuse - Department of Aviation White Plains - Westchester County Airport
NORTH CAROLINA:	Asheville - Regional Airport Authority Charlotte - City of Greensboro-High Point - Airport Authority Raleigh - Raleigh-Durham Airport Authority
OHIO:	Akron-Canton - Regional Airport Cincinnati - Kenton County Airport Board Cleveland - City of Columbus - Port Columbus International Airport Dayton - Department of Aviation Toledo-Lucas County - Port Authority Youngstown - City of
OKLAHOMA:	Oklahoma City - Airport Trust Tulsa - Airport Authority
OREGON:	Portland - Port of
PENNSYLVANIA:	Lehigh-Northampton - Airport Authority Middletown - Pennsylvania/DOT Bureau of Aviation Philadelphia - Department of Commerce Pittsburgh - Greater Pittsburgh International Airport
PUERTO RICO:	San Juan - Puerto Rico Ports Authority
RHODE ISLAND:	State of Rhode Island - Division of Airports
SOUTH CAROLINA:	Charleston - County Aviation Authority Columbia - Metropolitan Airport Greenville-Spartanburg - Airport Commission
TENNESSEE:	Chattanooga - Municipal Airport Knoxville - Metropolitan Airport Authority Memphis-Shelby County - Airport Authority Nashville - Metropolitan Airport Authority
TEXAS:	Austin - City of Dallas - Department of Aviation Dallas/Fort Worth - Regional Airport Board El Paso - City of Houston - City of San Antonio - Department of Aviation
UTAH:	Salt Lake City - Airport Authority
VERMONT:	Burlington - Airport Commission
VIRGINIA:	Newport News - Peninsula Airport Commission Norfolk - Port and Industrial Authority Richmond - Capital Region Airport Commission
VIRGIN ISLANDS:	St. Thomas - Virgin Islands Port Authority
WASHINGTON:	Seattle - Port of Seattle - King County Airport (Boeing Field) Spokane - Airport Board
WISCONSIN:	Janesville - Rock County Airport La Crosse - Municipal Airport Milwaukee County - Department of Public Works

WYOMING:	Casper - Natrona County International Airport Cheyenne - Airport Authority Rock Springs - Sweetwater County Airport Authority

AOCI NON-U.S. MEMBERS

AUSTRALIA:	Canberra - Department of Transport
AUSTRIA:	Vienna - Airport Authority
BERMUDA:	Hamilton - Ministry of Marine and Air Services
BRAZIL:	Brasilia - Empresa Brasileira de Infra-Estructura Aeroportuaria (INFRAERO)
CANADA:	Ottawa, Toronto & Montreal - Transport Canada
DENMARK:	Copenhagen - Airports Authority
DOMINICAN REPUBLIC:	Santo Domingo - Aeropuerto Internacional de Las Americas
EL SALVADOR:	San Salvador - Comision Ejecutiva Portuaria Autonoma
ENGLAND:	London - (British Airports Authority) Heathrow, Gatwick & Stansted Scotland - Aberdeen, Edinburgh, Glasgow & Prestwick
FRANCE:	Paris - Aeroport de Paris
GERMANY:	Cologne/Bonn - Flughafen Koeln/Bonn GmbH Dusseldorf - Flughafen Dusseldorf GmbH Frankfurt/Main - Flughafen Frankfurt/Main Aktiengesellschaft Hamburg - Flughafen Hamburg GmbH Hannover - Flughafen Hannover Langenhagen GmbH Munich - Flughafen Munchen GmbH
HAITI:	Port-Au-Prince - Aeroport International Francois Duvalier
HONG KONG:	Hong Kong - Civil Aviation Department
IRAQ:	Baghdad - State Organization of Roads and Bridges
IRELAND:	Dublin - Aer Rianta/Irish Airports Authority
JAMAICA:	Kingston - Airport Authority of Jamaica
ISRAEL:	Tel Aviv - Israel Airports Authority
ITALY:	Milan - Societa p. Az. Esercizi Aeroportuali (SEA) Rome - Aeroporti di Roma S.p.A
JAPAN:	Osaka - Kansai (Osaka) International Airport Terminal Building Co. Ltd. Tokyo - Japan Airport Terminal Company, Ltd.
KOREA:	Seoul - Korea International Airports Authority
MEXICO:	Mexico City - Aeropuertos y Servicios Auxiliares (ASA) Mexico City - Direccion General de Aeropuertos (DGA)
NETHERLANDS:	Amsterdam - Schiphol Airport Authority
NETHERLANDS ANTILLES:	Sint Maarten - Juliana International Airport
NEW CALEDONIA:	Noumea - Chambre de Commerce et d'Industrie
NEW ZEALAND:	Wellington - Ministry of Transport
NIGERIA:	Lagos - Nigerian Airports Authority

PHILIPPINES:	Manila - Bureau of Air Transportation
PORTUGAL:	Lisbon - Aeroportos e Navegacao Aerea (ANA)
SAUDI ARABIA:	Jeddah, Riyadh & Eastern Province - International Airports Projects
SRI LANKA:	Colombo - Airports Authority of Sri Lanka
SWITZERLAND:	Zurich - Civil Aviation Department
TAHITI:	Papeete - Societe D'Equipement de Tahiti et des Iles
TAIWAN:	Taipei - Civil Aeronautics Administration
VENEZUELA:	Caracas - Instituto Autonomo Aeropuerto Internacional de Maiquetia

ATTACHMENT B

AIRPORT OPERATORS COUNCIL INTERNATIONAL

TABULATION OF SURVEY ON ADEQUACY OR INADEQUACY OF U.S. INTERNATIONAL INSPECTIONAL SERVICES AT U.S. AIRPORTS
SPRING/SUMMER 1981

SUMMARY

I. U.S. International Airports With **INADEQUATE** Federal Inspection Services (with each's % share of total arriving international air passengers):

New York (JFK)	22% **
Miami	15% *
Los Angeles	7% *
Honolulu	6% **
San Francisco	3% **
Chicago	3% **
Houston	2% **
Seattle	1% **
Tampa	1% **
Detroit	1%
Baltimore/Washington	1%
Ft. Lauderdale	1%
Minneapolis/St. Paul	1% **
Denver	1%
	64%

II. U.S. International Airports With **ADEQUATE** Federal Inspection Services (with each's % share of total arriving international air passengers)

Boston	3%
Dallas/Ft. Worth	2% **
Atlanta	1%
Philadelphia	1%
Kansas City	1%
Bangor	1%
Las Vegas	1%
Portland (OR)	1%
El Paso	1%
Syracuse	1%
San Diego	1%
	14%

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* Indicates the two locations, with 22% of total arriving international passengers, that have been selected by Federal Inspection Services (FIS) for summer/fall 1981 tests of GAO "one-stop" inspection system to reduce processing delays.

** Indicates the additional nine locations, with an additional 41% of arriving international passengers, that would like the GAO "one-stop" inspection system implemented as well at their international airport facilities this Summer and Fall (without cost to the Federal Government for facilities modification) so as to reduce anticipated arriving passenger processing delays (from 2, 3, 4 hours).

TABULATION OF SURVEY ON ADEQUACY OR INADEQUACY OF U.S. INTERNATIONAL INSPECTIONAL SERVICES AT U.S. AIRPORTS

SPRING/SUMMER 1981

(Listed in Declining Order of Total U.S International Passengers (%))

I. THE FOLLOWING AIRPORTS FIND THAT THE U.S. INTERNATIONAL INSPECTIONAL SERVICES AT THEIR AIRPORT(S) ARE: INADEQUATE

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (22%)

Serious Delay Problems This Year

The Port Authority anticipates serious delay problems this summer at Kennedy International Airport. Federal Inspection Services are provided at five locations, four of which are operated by airlines - American, British, Pan American and TWA - and the International Arrivals Building, used by most of the foreign flag airlines, which is operated by the Port Authority.

Principal cause of these delays has been inadequate federal inspection, although bunching of aircraft arrivals at the IAB has contributed to the delays at times. Lack of sufficient Immigration inspectors creates serious problems at the IAB, TWA, American and British terminals, while a lack of Customs inspectors causes delays at IAB and Pan Am terminals. An additional 30 Immigration and 16 Customs inspectors are necessary at Kennedy this summer.

Typically, on a peak day, with long lines awaiting clearance in IAB, only 50% of the Immigration booths are manned and a somewhat greater percentage of the Customs booths are staffed. As a result, backups occur. Last summer, at the IAB alone, we were forced to hold 236 aircraft an average of 20 minutes with some flights held as long as an hour. During the first five months of 1981, before the peak summer season, 122 aircraft were detained and 30,000 passengers delayed. At times, clearance takes 2½ hours.

Possible One Stop Clearance

We believe a one-stop procedure in which one inspection officer, representing both Immigration and Customs, would examine all arriving passengers, prior to baggage delivery, could be implemented this summer and would be helpful. There would have to be flexibility in how this is implemented with consideration given to the existing physical constraints of each of the international terminals at Kennedy which could result in citizen and alien inspection being separately located. The U.S. citizen by-pass of INS which we presently have at Kennedy is a step in the right direction.

POSSIBLE TEST SITE: The Port Authority of New York and New Jersey endorses the GAO "one-stop" inspection system and urges that it also be tested at the John F. Kennedy International Airport this Summer and Fall. The Port Authority offers full cooperation, financial and managerial, in any extension of "one-stop" to Kennedy and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

Without additional manpower or changes in procedures we will be in serious trouble throughout the airport. We anticipate an increase in the number of passengers held aboard aircraft as inspection area saturation becomes more frequent. One carrier has claimed it will reduce flights into Kennedy this summer if the problem is not solved. We anticipate that other carriers would do the same in the future.

These expectations could fail to materialize if foreigners become alienated by these excessive delays and cancel or select alternate, non-U.S. destinations for their trips. Such action would not only have a detrimental effect on airport activity, but also adversely impact the regional economy and the U.S. balance of payments.

MIAMI INTERNATIONAL AIRPORT, FLORIDA (15%)

Serious Delay Problems This Year

The growth in the number of international passengers arriving at the Miami International Airport over the four year period 1976-1980 suggests the magnitude of current problems.

In 1977 only one month exceeded 200,000 arriving international passengers. In 1979, ten months exceeded 200,000 passengers and one month exceeded 300,000 passengers. In 1981 airline schedule data indicate that eight months will exceed 300,000 passengers and three months will exceed 400,000 international passengers.

Preliminary data from the international airlines indicate average days of 14,000 to 15,000 F.I.S. arrivals can be expected at MIA over the complete four-month period from June 1 to September 30, 1981, with peak days of 18,000 to 20,000 F.I.S. arrivals during July and August 1981. (As an indication of 1980-81 growth: during the summer of 1980 there were approximately 50 flights per week from Europe to Miami; during summer 1981 there will be approximately 90 flights per week. During the summer of 1980 approximately 17,000 seats per week were scheduled from Europe to Miami; during summer 1981 there will be over 28,000 seats per week.)

Present projections indicate that approximately 25% of the total estimated 4,000,000 F.I.S. arrivals at MIA during 1981 will be U.S. citizens and approximately 75% will be foreign citizens. This would represent approximately one million U.S. citizen arrivals; slightly under one million foreign citizens from Europe, slightly over one million foreign citizens from South America and approximately one million foreign citizens from Central America and the Caribbean combined.

With over 800 airline flights per day, MIA is a major international-to-domestic connecting hub, and on many international flights over 50% of the passengers are connecting to domestic flights. The international-domestic airline rule permits these passengers to be ticketed through to, and transfer onto, a domestic flight leaving MIA one and a half hours after the arrival time of their international flight. This allows 45 minutes to pass through Immigration and Customs, 15 minutes to walk to the relevant domestic airline check-in desk, and 30 minutes to check in and walk to the domestic airline departure gate. Existing passenger clearance times, therefore, virtually guarantee that many of these international-to-domestic transferring passengers will miss their connecting flights, often causing great personal distress, particularly to families with children.

Possible One Stop Clearance

DESIGNATED TEST SITE : The Federal inspection agencies have chosen Miami International Airport as one Summer 1981 GAO "One-Stop" inspection test site. Airport management anticipates that the improved test process will commence about July 17. Expenditures of about $100,000 for carpentry and other modifications are estimated. Cooperation between the Federal agencies and the airport proprietor are good.

Longer Term Help

Miami International Airport anticipates that the one-stop clearance process will be successful. Accepting that O.M.B. has put a cap on both manpower hiring and overtime, in an effort to balance the Federal Budget, and, therefore, that the MIA F.I.S. supervisors can neither increase their existing staff, nor work their existing staff longer hours — and yet total F.I.S. arrivals will increase 20% and foreign citizen arrivals will increase 30% during 1981 — we must obviously permanently change the present F.I.S. system of inspection, and provide some means for airports to assist financially in the hiring of inspectors during any federal freeze of inspector positions. Changes recommended are:

a. All non-critical staff of the Immigration and Customs Services should be re-deployed to the front line, to the major gateway airports with high growth rates, such as MIA, to directly serve the public during peak arrival months at these airports.

b. The U.S. Customs system procedures should immediately be changed more towards the "Red/Green" system, especially for the growing volumes of European visitors with full passports and valid multiple-entry visas. In this regard, the U.S. Customs service should make greater use of computer-based profile/random sampling procedures.

c. The Immigration procedures for the large volumes of European "Inclusive Tour" passengers must be simplified.

d. The National and Regional Headquarters offices of the INS should cease their practice of drawing on MIA Immigration inspectors to handle the processing of illegal immigrants not entering at the Miami International Airport.

e. The high growth airports such as MIA should be permitted, and indeed encouraged, to pay completely for the hiring and staffing of all new F.I.S. staff required above present levels during any budget freeze period. MIA would recoup these increased operating costs through increased productivity of our physical facilities.

LOS ANGELES INTERNATIONAL AIRPORT, CALIFORNIA (7%)

Serious Delay Problems This Year

Los Angeles International Airport is one of the largest airports in the United States. It ranks third in the U.S. in total passengers and probably first or second if this ranking considers the number of passengers who originate from or are destined for the Los Angeles area. In calendar year 1980 over 5,650,000 international passengers were handled through this airport, an increase of more than 13 percent over 1979.

Even though domestic air travel continues to decline in the United States, international travel at LAX continues to experience record growth. This growth has far outstripped our ability to provide facilities to process these international passengers. A long term solution is now in the advanced designed stage. Construction of the new West Terminal will begin early next year with completion scheduled in advance of the 1984 summer Olympics in Los Angeles. This new international facility will be nearly as large as the combined square footage of all the existing passenger facilities at LAX.

It it our experience here in Los Angeles that the Immigration Service has been heavily impacted by this influx of international travel since this growth is largely the result of non-U.S. citizens coming to this country for business or pleasure.

However, as an interim solution to the congestion and delay problems which have been so prevalent, last year the Department undertook a program to erect large inflated structures adjacent to the current international facility which provides additional baggage claim. More importantly, they more than double the size of federal inspection service space available to process international travelers.

Possible One Stop Clearance

DESIGNATED TEST SITE : The Federal inspection agencies have chosen Los Angeles International Airport as one Summer 1981 GAO "One-Stop" inspection test site. Airport management anticipates that the improved test process will commence about August 1. Expenditures of about $150,000 for carpentry and other modifications are estimated. Cooperation between the Federal agencies and the airport proprietor are good.

Longer Term Help

Los Angeles International Airport anticipates that the one-stop clearance process will be successful. An early decision for permanent implementation of this process is needed from the inspection agencies so that the design for the new West Terminal can incorporate the final inspection process. Construction of such a new facility must be completed for the 1984 Summer Olympics in Los Angeles.

HONOLULU INTERNATIONAL AIRPORT, HAWAII (6%)

Serious Delay Problems This Year

We are certain serious delay problems will be repeated this summer in the International Arrivals Building at Honolulu International Airport.

Subsequent to the completion of the International Arrivals Building in 1972, continued increases in passenger arrivals, compounded by the high concentration of multiple and concurrent aircraft arrivals within a one-half or one-hour period, have overburdened the capacity and processing capability of the facility.

Modifications were made to the Customs processing area (ground level) in December 1979 by the conversion of the selective inspection system (SIS), originally installed, to CAPIS to accommodate the increased passenger demand and improve processing time of the facility. This system was completed and in operation as of January 1980.

However, the system again is overloaded as the facility cannot accommodate the peak-hour surge of foreign arrival passengers. Currently, average peak-hour passenger processing through the system (from time of deplaning to exiting Customs) has taken between 1 hour 30 minutes to 1 hour 45 minutes, and in some instances, in excess of 2 hours. At the present time passengers are being held in the aircraft until the immigration hall is capable of processing additional passengers.

The high concentration of aircraft arrivals within the one-half and one-hour periods and the surge of passenger arrivals far exceeds the present space and processing capabilities of both Immigration and Customs Inspection facilities.

Holding rooms are not provided to accommodate passengers during peak-hour arrivals. When the immigration inspection facility is filled to capacity (presently set at 1,000 passengers) arriving passengers are held at the aircraft, or if security permits, at the arrival gate.

Upon entering the facility, passengers are confronted with long queuing lines, lengthy processing times, and congestion occurring at inspection areas, baggage carrousels, and post-processing activities at the Customs level.

Current peak-hour processing time of 1½ to 2 hours from time of deplaning to time of exiting the customs facility far exceeds the acceptable processing time of 1 hour established by the State Department of Transportation. If improvements to the facility are not provided, processing time is expected to exceed 2½ to 3 hours by 1985 and over 4 hours by the year 2000.

Currently, only 75% of Immigration inspection stations (18 of 24) and 78% of Customs inspection stations (22 of 28) are staffed during peak-hour arrivals.

Possible One Stop Clearance

POSSIBLE TEST SITE : The Honolulu International Airport endorses the GAO "one-stop" inspection system and urges that it also be tested in Honolulu this Summer and Fall. The Honolulu Airport offers full cooperation, financial and managerial, in any extension of "one-stop" to Honolulu and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

By 1985 processing time will take 180 and 138 minutes with 80% and 100% staffing respectively. It should be noted that these times do not include waiting for release from aircraft and waiting for baggage at carousels. This is based on the existing process which includes CAPIS (Customs Accelerated Passenger Inspection System).

SAN FRANCISCO INTERNATIONAL AIRPORT, CALIFORNIA (3%)

Serious Delay Problems This Year

Yes, we anticipate serious delay problems this Summer in our International Arrivals Area. These problems are a continuation of the problems of the past two years. We have attempted repeatedly to get those carriers utilizing our International facilities to space their arrivals so that we might minimize the congestion and delays. We have not been highly successful. Although you may be aware of the critical International passenger processing situation here at San Francisco, I would like to briefly review the serious constraints which exist. In the early 1970's the airport had planned to, in the face of increasing International traffic, enlarge its Federal Inspection Service processing capability. Litigation resulted in delays and significant cost escalations which effectively prohibited proceeding with the project. As International traffic into San Francisco increased, our facilities remained in a marginal condition.

Our processing capabilities approximated 300 passengers per hour until a recent modification which has effectively increased passenger processing 30%. This modification was a rearrangement of the passenger flows within the Customs area. This was not at all an enlargement because physical constraints exist which preclude any enlargement of that area. We are subject to the impacts of foreign slotting and are facing an ever increasing passenger volume.

We have fortunately been able to re-orient our modernization program. Our new International Arrivals facility, presently under construction, is still, however, some two and a half years away from completion. This, of course, means that we will face three peak summer travel periods prior to gaining the much sought after relief.

Aside from the physical constraints, inadequate Immigration manpower continues to plague this airport. Immigration insists upon starting work at 8:00 A.M. when International Arrivals, especially in the spring, consistently arrive ahead of schedule. Additionally, the airlines in general give a lower priority to incoming flights than departing flights and fail to deliver 'hold' bags in a timely manner.

The Immigration Service supplies manpower on a 60-1 ratio, whereas Customs supplies it on a 25-1 ratio. Since the International Arrivals area can only handle approximately 400 passengers per hour, this 60-1 ratio is extremely constraining and creates a severe bottleneck in our processing capability. We therefore face three problems.

1. Immigration manpower and the willingness of Immigration to adjust their schedule to the anticipated flight arrival.

2. The physical constraints which we have adjusted as much as possible and now must await the completion of our new International Arrivals facility for further passenger capacity processing increases.

3. The priority which the airlines give to outgoing baggage as well as the method of classifying baggage in foreign ports.

We do not see the situation as significantly improving but we certainly can ameliorate the consequences of our constraints. A Red Door/Green Door approach or the application of the Canadian System here at San Francisco would significantly improve our ability to process passengers and reduce congestion.

Possible One Stop Clearance

The one-step clearance process would be beneficial to San Francisco. In our above response, we suggested a Red Door/Green Door or a modified Canadian system. This, in effect, is a one-step process. If passengers could be questioned prior to receiving their bags, this would significantly improve the flow since during the time questions were being asked, bags could be delivered and passengers could be on their way. Presently, passengers are detained in Immigration because of the manpower ratio and then, once in Customs, are further detained by Customs in the routine checks. This airport would strongly support a "one-step" or Canadian type processing system.

POSSIBLE TEST SITE: San Francisco International Airport endorses the GAO "one-stop" inspection system and urges that it also be tested in San Francisco this Summer and Fall. San Francisco offers full cooperation, financial and managerial, in any extension of "one-stop" to San Francisco and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

With the anticipated growth of International travel over the next five years, especially at San Francisco, and with no increase in Federal manpower levels and no streamlining of the inspection process, the problems will be severe. Currently, there are times when four 747's aircraft and two 727's arrive within 90 minutes of each other and passengers have to wait upwards of two hours, many of them aboard the aircraft at the gate until they can be processed. It is extremely frustrating for the passenger who in many cases has already spent 12 hours on the flight and a serious problem for the airport and the limited Federal employees having to deal with flaring tempers and conditions that are unbearable.

CHICAGO O'HARE INTERNATIONAL AIRPORT, ILLINOIS (3%)

Serious Delay Problems This Year

Chicago O'Hare International Airport is currently experiencing severe federal inspectional service problems due to existing space limitations. This problem is being corrected by a major renovation of these facilities underway at this time. These improvements are expected to provide a 35% increase in the processing of international passengers.

Possible One Stop Clearance

POSSIBLE TEST SITE : The City of Chicago Department of Aviation endorses the GAO "one-stop" inspection system and urges that it also be tested at O'Hare International this Summer and Fall. Chicago offers full cooperation, financial and managerial, in any extension of "one-stop" to Chicago and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

The Department of Aviation in Chicago has recognized the need for additional F.I.S facilities in the long term, based on projected growth. A new international terminal is planned, based on these needs, and streamlining may be possible at the new facility.

HOUSTON INTERNATIONAL AIRPORT, TEXAS (2%)

Serious Delay Problems This Year

Very serious delay problems being experienced already this season. INS booths are seriously understaffed. When two international B-747 aircraft arrive, passengers are lined up virtually from the immigration booths all the way back to the aircraft gates. The interim facility being used in Houston was designed to FIS specifications and physically could handle 750 arriving passengers per hour. With current Federal manpower restrictions, however, not more than 500 passengers per hour are being cleared.

Possible One Stop Clearance

POSSIBLE TEST SITE: Houston International Airrport endorses the GAO "one-stop" inspection system and urges that it also be tested at the Houston International Airport this Summer and Fall. Houston offers full cooperation, financial and managerial, in any extension of "one-stop" to Houston and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

A new terminal for all international arrivals has been approved and design specifications will be completed with a year. Opening of the new international terminal is set for 4-5 years.

SEATTLE-TACOMA INTERNATIONAL AIRPORT, WASHINGTON

Serious Delay Problems This Year

We have for some time endorsed increased manpower in both Immigrations and Customs. The number of agents handling off-season traffic is adequate. However, this same number is not adequate during spring and summer peaks and causes long delays in both Immigrations and Customs. We are reviewing modifications to Customs facilities due to configuration and cueing limitations. At the present time, the inspection agencies are manning just about half of inspection stations.

Possible One Stop Clearance

POSSIBLE TEST SITE : Sea-Tac endorses the GAO "one-stop" inspection system and urges that it also be tested in Seattle this Summer and Fall. Sea-Tac offers full cooperation, financial and managerial, in any extension of "one-stop" to Seattle and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

If no help in either federal manpower or the inspection process is implemented, our international arrival facilities will be virtually impossible to utilize and many incoming flights will be required to hold passengers on board for several hours after long transoceanic flights. This will probably divert some traffic into airports of lesser congestion in the international arrivals area.

TAMPA INTERNATIONAL AIRPORT, FLORIDA

Serious Delay Problems This Year

Sudden significant increases in scheduled international flights with larger aircraft require immediate expansion of facilities and increased FIS manpower. Very little lead time aggravates problem. This Airport Authority is in the process of planning physical changes and will accomplish on expedited basis.

Possible One Stop Clearance

POSSIBLE TEST SITE : The Hillsborough County Aviation Authority endorses the GAO "one-stop" inspection system and urges that it also be tested at Tampa International Airport this Summer and Fall. The Port Authority offers full cooperation, financial and managerial, in any extension of "one-stop" to Tampa and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

Under given assumptions, major problems indicated. However, it is expected that plans currently under way can be implemented avoiding such major problems.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT, MICHIGAN

Serious Delay Problems This Year

While our position, as stated in the AOCI 1977 survey, remains intact, the severity in the shortage of U.S. Inspection staffing has subsided due to the current economic decline. However, the continued Federal Inspection costs to the carriers (Inspector's Overtime) are in our opinion a deterrent in attracting additional foreign carriers (holding U.S. entry rights) and their instituting new service.

Possible One Stop Clearance

The streamlining of passenger clearance, such as the "one step process," would in the short term be beneficial both to the airport and President Reagan's cutback policy. We do, however, again emphasize the short term aspect for such cutbacks in personnel would greatly magnify the operational problems with an upturn in passenger activity.

Longer Term Help

Cutback in U.S. Inspection personnel, absent streamlining of both the procedures and the manpower charges, will continue to foster the downward trend in international air service.

BALTIMORE/WASHINGTON INTERNATIONAL AIRPORT, MARYLAND

Serious Delay Problems This Year

A sufficient number of Customs Inspectors are available to handle anticipated traffic. However, the availability of Immigration Department manpower is marginal at best.

BWI Airport is equipped with ten Immigration Inspector positions plus a secondary inspection position. Theoretically, if each position is staffed, as many as 1200 U.S. citizens or 300 foreign visitors can be processed each hour. Unfortunately, only four Immigration Inspectors are assigned to BWI and they are frequently detailed to inspection duty elsewhere. There are four additional Immigration Inspectors assigned to the Port of Baltimore who may be detailed to duty at BWI if they are available. A realistic evaluation of this situation with consideration of such personal factors as vacation, sickness and other priority duties leads to the conclusion that under the best of conditions, Immigration can only staff five of the ten available inspection positions at a time. It will take these five inspectors approximately two hours using present procedures and assuming there are few delays for passport and other problems, to clear 300 foreign passengers.

The Customs/Immigration facility at BWI is designed to handle wide body aircraft passenger loads with ten Immigration Inspection positions and eleven Customs Inspector positions. Each of the eleven Customs positions is equipped with a primary computer inspection terminal tied into the Customs automated passenger inspection system (CAPIS) designed to expedite the inspection process. Now the problem: the Customs Service proposes to remove four of the CAPIS terminals from BWI and install them at Pittsburgh, where they now have none. The Customs Service is doing this in spite of an anticipated heavy increase in foreign visitors through BWI. With all eleven CAPIS terminals in use, and using present procedures, Customs can clear 550 American citizens or 330 foreign visitors per hour. Reduced to seven positions, the number of persons cleared under ideal conditions would be 300 American citizens or 210 foreign visitors per hour. This action on the part of the Customs Service will result in a serious degradation of the Customs facility at BWI.

Possible One Stop Clearance

It is strongly recommended that the "one-step clearance process" be coupled with the Immigration Department "citizen bypass procedure." At BWI use of both procedures would solve several anticipated problems; Immigration and Customs personnel would be cross-trained in each other's specialties thereby solving the manpower problem; integration of Customs and Immigration information in the CAPIS computer system will expedite passthrough of passengers. At BWI a great deal more space will be available with the elimination of one set of inspection booths for the comfort of passengers waiting for inspection.

Longer Term Help

Assuming no increase in Immigration Department personnel, BWI will be hard pressed to clear more than two hundred foreign visitors through Immigration inspection within an hour. Obviously with anticipated DC10 loads in excess of three hundred passengers, this is an unacceptable condition.

Assuming that the "one-step clearance process" and the "citizen bypass process" is not adopted, foreign flights arriving at close intervals will saturate the available inspection facilities. The only alternative will be to schedule gate arrival times to accommodate Customs/Immigration capability.

FORT LAUDERDALE-HOLLYWOOD INTERNATIONAL AIRPORT, FLORIDA

Serious Delay Problems This Year

Customs manpower is adequate at present. INS manpower is approximately 40% of authorized positions. International charter flights are up 50% over 1980. This airport is experiencing a movement into the European/United Kingdom market as well as the already heavy Canadian charter market. As aircraft, such as the L-1011-500, arrive with a heavy load factor, serious delays could result in FIS clearance due to the unavailability of INS inspectors. At present, a total of 4 inspectors, including the chief, are available to service both this airport and Port Everglades. With the present freeze on hiring in the federal government, an increase in INS manpower is unlikely in the foreseeable future. At present, the FIS facility is adequate. The facility is used by both Commercial and General Aviation aircraft. The aircraft parking is ground loading. If the number of large aircraft continue to grow, separation of Commercial and G.A. facilities may have to be considered. This will further burden the already short manpower situation.

Longer Term Help

If international tourism continues to rise at its present rate, excessive delays will be encountered in clearance of FIS passengers and aircraft. Approximately 800,000 passengers will be clearing through the International Arrivals process. With the present staffing levels that handle over 200,000 passengers now, delays up to 2 to 3 hours are not inconceivable.

MINNEAPOLIS/ST. PAUL INTERNATIONAL AIRPORT, MINNESOTA

Serious Delay Problems This Year

Manpower for Customs has been reduced and Immigration manpower is very limited. The two agencies are proceeding with a combined work force in an effort to perform as satisfactorily as their limited numbers will permit.

Our present facilities were designed for the supplemental carriers and very minimal activity. Now, with scheduled transatlantic service, the facilities are inadequate. New FIS facilities are in the design stage.

Possible One Stop Clearance

POSSIBLE TEST SITE : The Minneapolis/St. Paul Metropolitan Airports Commission endorses the GAO "one-stop" inspection system and urges that it also be tested in Minneapolis/St. Paul this Summer and Fall. The Airports Commission offers full cooperation, financial and managerial, in any extension of "one-stop" to Minneapolis/St. Paul and would welcome the visit of a Customs/Immigration feasibility team immediately.

Longer Term Help

We are in the design stage for a new FIS at the Main Terminal Building which will handle 800 passengers per hour. Additional manpower will be essential for the program.

Any constraint to streamlining will create further delays in processing passengers and defeat our efforts to provide adequate service to the international passengers.

DENVER STAPLETON INTERNATIONAL AIRPORT, COLORADO

Serious Delay Problems This Year

Although Denver's flights requiring Customs and Immigration are increasing by only one per day to a total of 3, this addition will be a DC-10-30. We have been informed locally that staffing from both agencies will stay at the current level and may even be increased. However, since Denver Customs will not clear any widebodies now (even charters), it seems clear that the time required to process a moderately full DC-10 will increase markedly, and the level of service will correspondingly decrease.

The FIS facilities in Denver are about to be quadrupled in size due to the Denver-London service, increasing from 4,600 square feet to over 19,000 square feet. Even our other FIS flights will be sorely inconvenienced during construction albeit only for another six months or so. This facility has been designed for "one-stop" processing; whether it works or not as designed, only time will tell.

Overall experience in Denver, as light as it is comparatively speaking, strongly suggests that attitudes displayed by the inspectors toward their work and the public are as important in speedy clearance as are the facilities themselves—assuming adequate facilities to begin with.

Possible One Stop Clearance

Possibly—but not unless the inspectors themselves want to make it work.

Longer Term Help

A constant (and unacceptable) diminution in the level of services for all passengers requiring clearance.

II. THE FOLLOWING AIRPORTS THINK THAT THE U.S. INTERNATIONAL INSPECTIONAL SERVICES AT THEIR AIRPORT(S) ARE: ADEQUATE BUT OFFERED THE FOLLOWING COMMENTS:

BOSTON LOGAN INTERNATIONAL AIRPORT, MASSACHUSETTS (3%)

Customs manpower could be inadequate this summer due to the fact that there may not be any part-time personnel hired to help in Customs.

Customs hall will not hold any more than three jumbo jet arrivals at one time. There could be a lack of luggage carousels.

DALLAS/FORT WORTH INTERNATIONAL AIRPORT, TEXAS (2%)

Adequate only because of the local FIS management approach and techniques - such as optimum use of the citizens' by-pass system. With the pending cuts by the Reagan Administration and the expected increased wide body traffic into existing facilities, problems will arise with both personnel and facility saturation, particularly with inadequate gatespace during peak periods.

Possible One Stop Clearance

POSSIBLE TEST SITE : The Dallas/Fort Worth Airport endorses the GAO "one-stop" inspection system and urges that it also be tested in Dallas/Fort Worth this Summer and Fall. Dallas/Fort Worth Airport offers full cooperation, financial and managerial, in any extension of "one-stop" to Dallas/Fort Worth and would welcome the visit of a Customs/Immigration feasibility team immediately.

ATLANTA HARTSFIELD INTERNATIONAL AIRPORT, GEORGIA

The City of Atlanta and the airlines serving the City made the decision in 1979 to build a first class Federal Inspection Services (FIS) Facility along with its new domestic air terminal then under construction.

The construction of this new international facility required the expenditure of some $14 million and went into service along with the new domestic terminal complex on September 21, 1980.

The new FIS facility was built in response to Atlanta's growing importance as an international gateway. Beginning with Eastern's direct flight between Atlanta and Mexico City in 1971 Atlanta's international air traffic growth has been consistently dramatic.

Atlanta's growing traffic has increased by over 500 per cent in just 4 years.

Because the physical plant was such a dramatic improvement over that which was provided at Hartsfield Atlanta International Airport's old terminal, it was expected that the new facility coupled with the more efficient clearance procedures would result in dramatic improvement in the clearing of international passengers at this facility. Regrettably, this was not the case at first.

Immediately after the opening of the new international terminal complaints by passengers began to increase. The time required for clearance of international passengers at this facility seemed to lengthen rather than decrease. Waiting times in excess of one hour began to be regularly reported and some extreme instances of waits in excess of two hours have been reported.

The personnel of Customs and Immigration here in Atlanta seemingly found it difficult to adjust to the newer clearance process. Customs officers seemed to be uncomfortable in clearing persons from an Immigration standpoint and Immigration personnel are even more uncomfortable in clearing persons that have any sort of questions about their customs declaration. As a result the clearance procedure, although theoretically a much more efficient way to operate, had not produced the greater productivity that was expected from its use.

After these problems were documented, Washington officials of the Federal Inspection Services arranged for a two-month training and orientation program to be conducted for the existing manpower assigned to Atlanta International Airport.

This program has been exceedingly successful and the improvement in average processing time has been dramatic. At current, 70% of all arriving international passengers are normally cleared in 30 minutes or less.

PHILADELPHIA INTERNATIONAL AIRPORT, PENNSYLVANIA

With the installation of the CAPIS system there was a measure of improvement. Additional "One-Step" installations with the proper level of staffing would provide a much improved level of service.

KANSAS CITY INTERNATIONAL AIRPORT, MISSOURI

Although designed to U.S. Customs' requirements, bag claim carousel could be expanded to handle peak arrivals of wide-body aircraft. The vertical bag lift should be redesigned to safely lift baggage. An elevator or other conveyance is needed to aid handicapped.

U.S. Customs and Immigration employees tend to display a surly attitude in dealing with returning U.S. citizens and other travelers. They also sometimes tend to be uncooperative with Operations and Safety personnel which adds difficulty in maintaining airport security.

BANGOR INTERNATIONAL AIRPORT, MAINE

Physical adequacy will be further achieved with the completed renovation project in May, 1981 which includes enlarged facilities for FIS areas, as well as a speedier baggage delivery system. Citizen "By-Pass" for Immigration processing adopted in 1980 reduced significantly delays and congestion during peak traffic periods with respect to Immigration processing. Bangor International is convinced furthermore that with its speedier baggage delivery availability, that the adoption of the "Dual Channel" - "red/green door" system here will greatly enhance the decrease of Customs processing delays and congestions, especially in light of reduced budgetary allowances and manpower freezes imposed upon the FIS systems. This procedure could be currently adopted without additional physical plant changes.

LAS VEGAS McCARRAN INTERNATIONAL AIRPORT, NEVADA

With the completion of a new International Arrivals building at McCarran International, facilities for Federal Inspection Services are adequate. The airport does, however, foresee problems in the future stemming from the existing federal limitations on manpower levels and overtime pay for inspection officials.

PORTLAND INTERNATIONAL AIRPORT, OREGON

Currently Portland International has very few international flights requiring U.S. federal inspections.

EL PASO INTERNATIONAL AIRPORT, TEXAS

Desirable further improvement is programmed and will be implemented when necessary (i.e. two additional stages of expansion). Our proximity to the border allows for a U.S. Customs "labor pool" which serves to our advantage. We enjoy an excellent relationship with local U.S. Customs personnel.

SYRACUSE HANCOCK INTERNATIONAL AIRPORT, NEW YORK

We are quite unusual in that we are a landing rights airport and do have international schedules except at the current time we only have one international scheduled trip per day which requires U.S. inspectional services at our airport. This is being flown by a Canadian commuter with airplanes carrying less than twelve passengers. Consequently, the one inspector assigned to our airport on the day shift is sufficient.

This situation can easily change as several carriers have Canadian authority but are not currently exercising it. The single Customs inspector also handles the Immigration charters. When these occur, it frequently takes extremely long even though additional inspectors are brought to the airport.

In recent months, this type of charter has not been occuring on a very frequent basis. If we should in the near future go back to some of our previous levels of scheduled operations or a greatly increased number of international charters, our U.S. inspectional services would be totally inadequate.

SAN DIEGO INTERNATIONAL AIRPORT, CALIFORNIA

Very limited international operations.

FEDERATION OF SCIENTIFIC AGRICULTURAL SOCIETIES

STATEMENT OF ROY CREECH, HEAD, DEPARTMENT OF AGRONOMY, MISSISSIPPI STATE UNIVERSITY, ON BEHALF OF THE FEDERATION OF SCIENTIFIC AGRICULTURAL SOCIETIES

Senator COCHRAN. Our last witness for this series of the hearings is Dr. Roy Creech, head of the Department of Agronomy at Mississippi State University, representing the Federation of Scientific Agricultural Societies.

Welcome. Sorry about the time problem.

Dr. CREECH. Thank you. We appreciate the opportunity to be here. We especially appreciate the opportunity to address this very timely and rather significant topic of human expertise development in the agricultural sciences.

COMPETITIVE GRADUATE STUDY FELLOWSHIPS

The subject I am speaking to specifically is priority allocation funds for the competitive grants to student fellowships in agriculture. These are the predoctoral fellowships.

We know that much of the testimony this morning, as you understand, has been that the only meaningful approach to modern agricultural research and extension in education is to view most of these contributions as public goods, and therefore, we conclude that they should be paid for on public account.

We have some serious deficiencies in a number of areas within the food and agricultural sciences, and these deficiencies are up to 50 percent in some categories.

What we are requesting for your consideration and that of the committee, in order to keep and actually strengthen, but keep also the strength that we currently have in scientific expertise, is to support already or previously authorized predoctorial fellowships authorized in Public Law 95–113. Such fellowships will afford unique opportunities for recruiting and educating students in disciplines which have chronic shortages. Such Federal support would augment the State-funded base which provides the buildings, laboratories, equipment, library facilities, staff, and faculty forming the core of the universities and experiment stations.

The current Federal program is detrimental to higher education in food and agriculture and discourages the development of professional expertise. Funding the professional fellowship program will help mitigate problems by developing professional expertise in food and agriculture, which is absolutely essential to strengthening agricultural productivity.

BANKHEAD-JONES ACT

Another specific recommendation from the Federation of Scientific Agricultural Societies is that the Bankhead-Jones Act be funded at the authorized level of $12.46 million and that $6 million be allocated for competitive graduate fellowships in the food and agricultural sciences, which will support the urgently needed 400 doctoral candidates just to fill some of these major areas of deficiency. It is also important that funding be provided to support the proposed data base program, food and agricultural information system. This invaluable surveillance mechanism will provide for the collection and analysis of pertinent data on college graduates in the food and agricultural sciences. This is to help us know where we are at any moment in time in order to provide corrections and improvements where there are deficiencies.

Thank you again very much, Senator, for allowing us to be present at this hearing.

PREPARED STATEMENT

Senator COCHRAN. Dr. Creech, thank you. You have a very detailed statement, which will be made a part of the record and which we appreciate having very much. We will have an opportunity as we get further along in our deliberative process to analyze this in greater detail than we have had a chance to do this morning. Your being here highlights the importance of this subject area.

We know we do have a problem in some areas of the budget request this year. We are going to try to sort through it and try to identify the priority needs. This need for scientific personnel to help us figure out some of the complex problems that face American agriculture and agribusiness as well is an important area of concern, and it will have the attention of this subcommittee. We appreciate your being here. Thank you very much.

Dr. CREECH. Thank you, Senator.

[The statement follows:]

PREPARED STATEMENT OF ROY G. CREECH

Professor and Head of the Department of Agronomy
College of Agriculture and Home Economics
Mississippi State University
Mississippi State, Mississippi

REPRESENTING: The Federation of Scientific Agricultural Societies

SUBJECT: The Highly Significant and Timely Topic of Human Expertise Development in the Food and Agricultural Sciences through Priority Allocation of Federal Funds for Competitive Graduate Study Fellowships in Agriculture.

SUMMARY

INVESTMENTS IN AGRICULTURAL RESEARCH AND EDUCATION:

A strong, productive farm sector and effective food processing, marketing, and distribution systems are fundamental to national security, a high standard of living and the basic well being of our citizens. The phenomenal productivity of the U.S. agricultural enterprise has provided high quality, nutritious food at low cost, enabling over 95 percent of our citizens to engage in pursuits other than food production. Numerous studies have empirically estimated annual rates of return on aggregate investments in agriculture predominantly in the ranges of 40 to 50 percent for research, 15 to 25 percent for extension, and 10 to 15 percent for college level education. Both benefits and costs of these public investments tend to redistribute income from higher to lower income families.

The aggregate ratio of interregional spillovers to benefits within the farm producing region conducting the research and extension is 1.73.

Since 1967, Federal government funding to states has remained level in terms of constant 1967 dollars, while state appropriations have increased 35 percent. Furthermore, the constant-dollar agricultural research expenditures of the USDA decreased by 2 percent. Thus, increases in state appropriations have accounted for most of the increase in the Nation's agricultural research funding. The Federal allocation of funds for experiment stations, state extension services and USDA regional field research locations only partially compensates for these spillovers. Thus, we know that the only meaningful approach to modern agricultural research and education is to view most contributions as public goods. As such they are made freely available to all, and they should be paid on public account.

Current productivity growth in agriculture is definitely slower than in previous decades. Crop and livestock production show a full percentage point decline in the annual growth rate during 1965-79 as compared with 1950-64. Further cutbacks in the real level of Federal support for agricultural research, extension, and education may be expected to adversely impact on future productivity growth of American agriculture.

We are facing serious shortages (up to 50 percent) in trained agricultural scientists in many important areas, particularly agricultural and forest engineering, agricultultural economics and business, plant and soil sciences, food science and human nutrition, and animal science.

Fiscal restraints and spiraling inflation are handicapping U.S. colleges of agriculture. The current zero base Federal program is severely detrimental to higher education in food and agriculture and discourages development of professional expertise. Funding the approved Competitive Graduate Fellowship Program will help develop professional expertise in food and agriculture, which is absolutely necessary to strengthening agricultural productivity.

RECOMMENDATION

It is recommended that the Bankhead-Jones Act be funded at the authorized level of $12.46 million dollars and that $6.0 million be allocated to the Competitive Graduate Fellowship Program in the food and agricultural sciences, which will support about 400 doctoral candidates. It is also important that funding be provided to support the proposed data base program, Food and Agricultural Education Information System. This invaluable surveillance mechanism will provide for the collection and analysis of pertinent data on college graduates in the food and agricultural sciences.

Chairman Cochran and members, I am Roy Creech, Professor and Head of the Department of Agronomy at Mississippi State University. Today I represent The Federation of Scientific Agricultural Societies[1], and respectfully urge your support of priority funding for agricultural research, teaching, and extension programs of the National Association of State Universities and Land Grant Colleges (NASULGC), and those of Science and Education (S&E) of the United States Department of Agriculture (USDA). Thank you for giving us this opportunity to address the highly significant and timely topic of human expertise development in the Food and Agricultural Sciences through priority allocation of Federal funds for Competitive Graduate Study Fellowships in Agriculture.

INVESTMENTS IN AGRICULTURAL RESEARCH AND EDUCATION

A strong, productive farm sector and effective food processing, marketing, and distribution systems are fundamental to national security, a high standard of living and the basic well being of our citizens. The phenomenal productivity of the U.S. agricultural enterprise has provided high quality, nutritious food at low cost, enabling over 95 percent of our citizens to engage in pursuits other than food production.

Agricultural productivity is heavily dependent on education and research. Requisite to both endeavors is an adequate supply of University and College graduates with expertise in the food and agricultural sciences. Much of the success of U.S. agriculture can be traced to the long established Federal-State partnership involving the USDA and Land Grant Universities, State Agricultural Experiment Stations, and the Cooperative Extension Service. In fact, the integration of research, education and extension, which are complementary and interactive with each other, has distinguished the Land Grant universities from other universities around the world.

We know that the economic returns to society from public investments in agricultural research and education are generally decidedly favorable, that they are worthwhile public investments.

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[1] The Federation of Scientific Agricultural Societies (FSAS) was organized recently by 15 Professional and Scientific Societies representing the Food and Agricultural Sciences in an effort to provide a forum for interdisciplinary communication, and to enhance the capability of scientific agricultural workers to speak in a unified voice.

I am Past President of the Crop Science Society of America, one of the Professional Scientific Societies invited to participate in FSAS activities; a Fellow in the American Society of Agronomy; a Fellow in the American Association for the Advancement of Science; and a Certified Professional in Agronomy and Crop Science (American Registery of Professionals in Agronomy, Crops and Soils).

Numerous studies have empirically estimated rates of return on aggregate investment. These studies have concluded that annual returns are predominantly in the ranges of 40 to 50 percent for research, 15 to 25 percent for extension, and 10 to 15 percent for college level education, even though some estimates of the returns to individual commodities and/or regions are above or below these ranges2/.

Under competition in a free enterprise system, the reductions in real costs of producing agricultural products realized as a consequence of research and education are transferred in large measure to consumers. We know also that both benefits and costs of these public investments tend to redistribute income from higher to lower income families.

In the recent report by B. R. Eddleman, Director, National and Regional Research Planning, Analyses and Evaluation, State Agricultural Experiment Stations, analysis was made of the distribution of benefits and costs of agricultural research by family size and income characteristics for six income categories ranging from under $5,000 to over $20,0002/. Average benefits per family increased with the level of family income and ranged from $16.20 in the lowest income category to $30.74 in the highest category for each dollar invested in the research. The cost of the research, as measured by Federal and state taxes per family, ranged from $1.31 for the lowest income class to $25.60 for the highest. While benefits and costs increase with the level of income, tax incidence increases at a faster rate. Therefore, the benefit-cost ratio declined from 12.37 for the lowest income group to 1.20 for the highest income families. Both benefits and costs of agricultural research tend to redistribute income from higher to lower income families. However, even those families in the highest income class receive net benefits from research investments that increase agricultural productivity. The same may be said for extension and higher education investments that increase productivity in American agriculture2/.

Even where farmers are the main beneficiaries, we know it is beyond the capacity of individual farmers to do the required research and technology transfer on their own. Nor are farmers collectively able to organize and finance national agricultural research and extension. Although over time most of the benefits from agricultural research and education accrue to consumers, we know it is not feasible for them to organize and finance such activities nationally. Thus, we know that the only meaningful approach to modern agricultural research and education is to view most contributions as public goods. As such they are made freely available to all, and we therefore conclude they should be paid on public account.

Even with all the evidence on the large and positive contributions to productivity, governments (and particularly the Federal government) continue to underinvest in agricultural research and education. Federal government agricultural research expenditures through the USDA are proportionately the smallest of any major Federal research agency, accounting for only 1.5 percent of total Federal government research expenditures in 1978. The demands on and the cost of conducting agricultural research have increased substantially over the past 15 years. Public funding of agricultural research is justified on the basis of benefits well in excess of costs. However, Since 1967, Federal government funding to states has remained level in constant 1967 dollars, while state appropriations have increased 35 percent. Furthermore, the constant-dollar agricultural research expenditures of the USDA decreased by 2 percent. Thus, increases in state appropriations have accounted for most of the increase in the Nation's agricultural research funding2/.

2/ Impacts of Reduced Federal Expenditures on Agricultural Programs at Land Grant Institutions, B. R. Eddleman, presented at the Gamma Sigma Delta Forum, University of Florida, Gainesville, Florida, March 10, 1982.

Interregional spillovers of the benefits of agricultural research and extension are given in Table 1. These estimates indicate that the aggregate ratio of spillovers to benefits within the farm producing region conducting the research and extension is 1.73. The Northeast and the Applachian Regions have the lowest ratio of spillovers to regional benefits. Four regions (Lake States, Corn Belt, Delta and Southern Plains) have ratios higher than 2 to 1.

Table 1. REGIONAL EXTERNAL-TO-INTERNAL RATIOS OF FARM LEVEL BENEFITS AND FUNDING OF AGRICULTURAL RESEARCH AND EXTENSION2/.

REGION	RATIO OF SPILLOVERS TO REGIONAL BENEFITS	RATIO OF FEDERAL TO STATE R&E EXPENDITURES
NORTHEAST	1.31	0.97
LAKE STATES	2.73	1.10
CORN BELT	2.04	1.25
NORTHERN PLAINS	1.40	1.63
APPALACHIAN	1.19	1.60
SOUTHEAST	1.40	1.37
DELTA	2.48	1.80
SOUTHERN PLAINS	2.80	2.10
MOUNTAIN	1.60	2.35
PACIFIC	1.89	0.90
ALL REGIONS	1.73	1.38

The Federal allocation of funds for experiment stations, state extension services and USDA regional field research locations only partially compensates for these spillovers. When the ratio of spillover benefits is compared to the ratio of Federal-to-State expenditures on research and extension, the results indicate that the Federal government financed all (or most) of the spillover benefits in only four regions, Northern Plains, Applachian, Southeast, and Mountain. In aggregate, the ratio of Federal-to-State expenditure is only 1.38 compared to 1.73 for the ratio of spillovers to regional benefits. The Federal government's contribution to production-oriented agricultural research and extension would have to be increased 25 percent on average to align regional funding with regional benefits. Several regions would require a greater percentage increase to yield an equitable distribution among regions. Actually, taxpayers in food-surplus states are subsidizing food-deficit states and the degree of subsidization is increasing over time.

Farmers, as well as consumers, and their Representatives must be induced to support investment in science and in the development of scientific manpower whose benefits are both unknown and remote. The current allocation of Federal funds for agricultural research and extension and the regulations that follow in their wake seriously impair the ongoing efforts of our scientists and educators. The major unresolved problem is the desire to overorganize and overcontrol these programs from the top. Decentralization of funding and decision making at the state level, even to the outlying substations, is an important factor accounting for the high rate of return to public investment in agricultural research and extension. The short-feedback loop between research, technical change and funding at the state level represents a more effective steering mechanism than a highly centralized Federal-State planning system. Additionally, a strong Federal USDA research and extension system is important to the effective functioning of the state systems. The USDA has an essential role in developing and transferring knowledge and technology, and in mobilizing joint Federal-State efforts on problems of regional and national significance. Decentralization of USDA research program leadership from the National to the regional level in recent years has weakened the capacity of the USDA to perform these functions.

Further reductions in the real level of Federal support for agricultural research, extension and teaching may have a number of pervasive impacts on American agriculture and the Land-Grant institutions of higher learning. These include, but are not limited to, the following effects: (1) reduced rate of productivity growth in agriculture; (2) increased inequities in who receives the benefits and pays the costs of agricultural research and extension; (3) increased demands for long-range priority planning and coordination of research and extension from Federal and state governments; (4) increased reliance on funding of research, extension and teaching from state governments; (5) private individuals (families) having to bear more of the cost of college education; (6) initial decline in college enrollment due to cutbacks in student loans from the Federal government; and (7) shifts in enrollments among private and public institutions of higher learning2/.

The USDA statistics measuring farm productivity support assertions that productivity growth in agriculture has definitely slowed. The FY 1983 budget documentation indicates that when the 15 years, 1965-1979, were compared by B. R. Eddleman2/ with the previous 15-year period, the growth rates of a broad spectrum of farm productivity measures signficantly declined (Table 2). Total farm output per hour of labor and per unit of an aggregated index of all inputs, crop production per acre, and livestock production per breeding unit each show a full percentage point decline in the annual growth rate. These declines in growth rates are all statistically significant at the 95 percent level of confidence. Several studies have examined the relationship between public investments in research-extension and productivity change in the U.S. farm sector. Although all sources of productivity growth have not been identified, the reliability of the statistical estimates is sufficient to support the summary proposition: productivity growth in the U.S. farm sector is closely associated with investments in research, extension and the general schooling level of farmers, and part of the recent slow down in productivity growth is, therefore, attributable to lower real rates of public sector investment in these activities. Further cutbacks in the real level of Federal support for agricultural research, extension, and education may be expected to adversely impact on future productivity growth of American agriculture.

Despite the apparent need for more public support for agricultural research, extension, and education, public investments have increased less rapidly in the late 1960's and 1970's than they did in the 1950's and early 1960's. Further, the burden for supporting agricultural research and education has shifted to the states in the Farm Belt. Increased competition for public funds is probably one of the reasons for the leveling of Federal support. Other reasons may have been a feeling of lack of urgency because of ample food supplies and even surpluses at times; the emergence of more pressing national goals in the eyes of the public decision-makers; and possibly lack of knowledge of the impact of research and development investments on the magnitude and distribution of benefits among groups in society. Nevertheless, further reductions in Federal support for research, extension, and education may be expected to distort even more the distribution of burdens on state taxpayers who support public research, extension, and education and national producers-consumers who benefit from these public investments.

HUMAN EXPERTISE DEVELOPMENT IN THE FOOD AND AGRICULTURAL SCIENCES

The Joint Council of Food and Agricultural Sciences has recently stated that, even though the broad spectrum of the food and agricultural labor force has been relatively adequate in the past, a recent USDA study3/ indicates serious shortages currently exist and are projected to increase through the 1980's in many important areas

3/ Graduates of Higher Education in the Food and Agricultural Sciences: An Analyses of Supply/Demand Relationships, Volume I--Agriculture, Natural Resources and Veterinary Medicine and Volume II--Home Economics, USDA Misc. Pub. No. 1385, July 1980, and USDA Misc. Pub. No. 1407, February 1981.

TABLE 2. ANNUAL GROWTH RATES[a] OF SELECTED PRODUCTIVITY MEASURES2/.

Fifteen year period	Total Farm Output				Crop production per acre	Livestock production per breeding unit
	Per unit of all inputs	Per farm	Per farmworker	Per hour of labor		
	----------	----------	Percent	----------	----------	----------
1920-34	0.43 (.28)[b]	0.12 (.45)	0.97 (.43)	1.00 (.24)	-0.99 (.46)	1.33 (.30)
1935-49	2.16 (.26)	4.14 (.33)	4.80 (.50)	4.80 (.21)	2.20 (.43)	1.44 (.20)
1950-64	2.33 (.10)	5.24 (.11)	5.08 (.09)	6.53 (.15)	2.75 (.19)	1.93 (.11)
1965-79	1.37 (.14)	4.27 (.28)	3.89 (.30)	5.49 (.19)	1.56 (.19)	0.89 (.17)

[a] Calculated as the slope of a regression of the logarithm of the indicator on time.

[b] Data in the parentheses are the standard error of estimate. The 95 percent confidence limit was applied in tests of significance.

Source: Computed from data in USDA/ESS Economic Indicators of the Farm Sector: Production and Efficiency Statistics, 1979, Stat. Bul. No. 657, February 1981.

(e.g., agricultural business management, agricultural engineering, animal sciences, food sciences, plant sciences, soil sciences, forest engineering, forest products utilization, and veterinary medicine specialists such as toxicology and pathology). Graduate degrees conferred in many of the food and agricultural specializations reflect a decreasing trend over the past decade. The Joint Council expressed grave concern over this matter. They recommend that action is needed if we are to avert serious consequences.

The educational development of Ph.D. candidates extends for a 3 to 5-year period. Further time is needed for these people to become established and productive professionals. Since shortages of Ph.D. graduates currently exist in several agricultural disciplines, the ability of our Federal and state research agencies to maintain their positions at the frontiers of agricultural research and development is threatened. Similarly, these shortages pose a threat to the maintenance of quality college and university faculties, thereby, impacting adversely on instruction. Ultimately, our food supply, our standard of living, and our ability to provide agricultural products for essential foreign trade will be eroded.

If the U.S. is to continue to lead the world in resolving problems of increasing global population and of agriculture's decreasing natural resource base, it must continue to produce a sufficient number of individuals with expertise in the food and agricultural sciences to meet the needs of these professions. Within the next 30-40 years, agriculture will be faced with the task of feeding twice as many people as are now living on earth and striving to reduce death due to malnutrition, starvation, and disease.

A Federal, State, Private and Other Roles

Federal appropriations for higher education in the agricultural sciences have been through the Bankhead-Jones Act of 1935. Appropriations were $11.5 million annually (in terms of current dollars) through FY 1981, although there is authorization for $12.46 million. Neither the Appropriations Committees nor the Congress were inclined to reinstate these funds for FY 1982 when they were deleted in the President's Revised Budget of March, 1981. OMB has not recommended reinstatement of the Bankhead-Jones Act funding for FY 1983.

Section 1403 of the Food and Agriculture Act of 1977 established the USDA as the lead agency in the Federal government for the food and agricultural sciences and emphasized teaching as a direct mission of the Department. The Act specifically authorized establishment of a new program of competitive education grants and fellowships to strengthen training and research programs in the food and agricultural sciences.

The predoctoral fellowships (competitive graduate fellowships) authorized in P.L. 95-113 are an important means of increasing food and agricultural expertise in areas of substantial need. These graduate fellowships would be accessible to all institutions (non-Land Grant and Land Grant) on a competitive basis and should attract and develop talent on a broad front. Such fellowships will afford unique opportunities for recruiting and educating students in disciplines which have chronic shortages of graduates. This is particularly true of certain areas of basic research and college teaching. These shortages have a national impact, transcend state and regional concerns, and merit Federal support. Such Federal support would augment the many times larger state-funded base, which provides the buildings, laboratories and equipment, library collections, staff, and faculty forming the core of academic institutions.

B. Base Level of Support for Higher Education

The Federal-State partnership, expressed through the Bankhead-Jones Act, has enhanced flexibility in that universities have been able to target support to areas of greatest need such as: (1) seed money to develop new programs (i.e., internships, computer-assisted instruction, interdisciplinary degree options); (2) extra funds to improve program quality (i.e., faculty development and release time, curriculum design and revision, specialized equipment); and (3) improved ability to attract and retain faculty of the highest quality. The current base of funding of zero dollars has caused grave concern among the educational community, professional associations, and the public. Scientific and technological advances in agriculture are fundamental to increased productivity and depend largely on public investments in agricultural research and education.

What should the Federal government's role be? The answer is firm commitment on several fronts, commitments that will strengthen the long-term partnership between the USDA and the Land Grant institutions that embody the food and agricultural sciences. First, we should recommit our support of undergraduate education through the continued Federal funding of the Bankhead-Jones Act. Second, money should be appropriated for a USDA administered competitive graduate fellowships program in areas where projected scientific manpower shortages are most critical. Third, public funds should be appropriated to provide educational materials pertaining to agricultural careers that could be used to attract students into Land Grant agricultural colleges, and to educate them as needed in the food and agricultural sciences. Fourth, it is important that funding be provided to support the proposed data base program, Food and Agricultural Education Informational System (FAEIS). This invaluable surveillance mechanism will provide for the collection and analysis of pertinent data on college graduates in the food and agricultural sciences.

GRADUATE EDUCATION IN THE FOOD AND AGRICULTURAL SCIENCES

Mr. Chairman, while support of all the above areas with Federal monies is appropriate and needed, I now wish to focus my testimony on the need to support graduate education in the food and agricultural sciences. We are facing serious shortages (up to 50 percent) in many important areas, particularly agricultural and forest engineering, agricultural economics and business, plant and soil sciences, food science, human nutrition, and animal science. With regard to these educational specializations, it is important to note the following:

(1) Agricultural and Forest Engineering. One reason that U.S. agriculture has been able to increase its rate of productivity more rapidly than elsewhere in the world is because of an engineering profession directly aligned with agriculture. A recent study conducted for the American Society of Agricultural Engineers shows that nearly 300 Ph.D. graduates will be needed during 1981-85 to fill university faculty vacancies created by retirements and projected expansions. The number of U.S. citizen Ph.D. graduates projected for that period is only 150, far short of the number needed for university teaching, research and extension positions. It is further estimated that 400 or more agricultural Ph.D. graduates with an energy emphasis in their programs of study will be required to meet the needs of state and local government agencies (such as state energy offices), Energy Extension Service, Cooperative Extension Service, Federal and state research organizations and university faculties. Also, the need of private industry for Ph.D. graduates has been increasing steadily and is not included in the preceding estimates.

A 1980 study by The Society of American Foresters projects the need for 29 forest engineers through 1983. This represents approximately a 50 percent increase in Ph.D. graduates over the previous 5 years. Additional students must be trained to meet the needs of the industrial sector and college and university faculties.

Federal support is essential to attract the most highly qualified undergraduate students into advanced degree programs and to prepare them for these professions. The requested funds should provide for the recruitment and the first year of graduate study for approximately 103 outstanding doctoral candidates. The proposed fellowships will provide an excellent base for these programs and should help universities attract additional funds from other sources.

(2) Agricultural Economics and Business. The full-scale entry into world food and feed grain trade by developing nations in the 1960's and the Soviet Union in the 1970's caused greater interdependence in world food systems. The recent entry of other centrally planned economies, notably China, further compounds these market forces. We must now be concerned not only with domestic food and fiber problems, but also with global food system issues which affect potential U.S. trade in all other agricultural products. The U.S. plays a dominant role in world exports, contributing 45 percent of wheat, 72 percent

of feed grains, and about 80 percent of soybeans in world trade. In 1980-81, foreign markets accounted for more than 62 percent of U.S.-produced wheat, 37 percent of our food grains, and 47 percent of our soybeans.

There is an urgent need to increase our capacity to conduct research and solve problems associated with new and emerging complex export markets for farm and forest products.

The proposed doctoral fellowships in agricultural economics and business would be used to recruit and provide the first year of training for approximately 95 students. Efforts will be directed toward attracting students to programs which emphasize agricultural marketing systems, international marketing, and global food and fiber production.

(3) Plant and Soil Sciences. The nation faces an increasingly critical need for additional expertise to conduct basic research related to crop growth and crop production systems. S&E-USDA would use competitive graduate fellowships to support the recruitment and first year of study for 86 doctoral level multi-disciplinary researchers in the plant and soil sciences, with special emphasis on: (a) plant growth, development, and differentiation; (b) specific membrane phenomena; (c) genetic control; and (d) crop production systems requiring interdisciplinary effort.

Advancements in plant and soil sciences are critical to increased agricultural productivity. For example, developing plants that are more efficient in converting solar energy into starches and sugars may yield greater productivity of plant carbohydrates and protein and more bushels per acre. If the hormone balance of plants can be engineered to control light-sensitivity, new crop varieties with greater geographic adaptability can be developed. More agronomists are needed to understand how to maximize plant growth and yield within energy and economic restraints without jepardizing conservation of the soil and water resources.

In academic fields concerned with crop production, institutional traditions and policy have long sustained narrow disciplinary specialization. Some universities are emphasizing both interdisciplinary and disciplinary training. Solutions to present agricultural production problems frequently mandate multidisciplinary and interdisciplinary approaches. The USDA can become a leading force in promoting multidisciplinary specialization and interdisciplinary cooperation.

(4) Food Science and Human Nutrition. The Federal government has recently established human nutrition centers that expand support for studying the effect of nutrition throughout the human life cycle. Furthermore, the higher education system has more than doubled the number of food science and human nutrition graduates since 1971. Even so, the supply of professionals with advanced degrees remains very low and unmet demand for their services is high. Many members of the scientific community have repeatedly warned of a shortage of scientists capable of sound food and nutrition research and education. These shortages of expertise are pointed out by two recent S&E-USDA studies on graduates of higher education in the food and agricultural sciences3/.

A better understanding of human nutrient requirements and the delivery of nutrition and dietary information to the public will reduce health care and preventative health care costs to the citizens and to the government. Furthermore, if food scientists can develop appealing, nutritious, alternative foods and can further improve processing techniques, food supplies can be expanded to better accommodate nutritional needs of the U.S. and the world. To achieve success in these areas, additional professional expertise is needed at the doctoral level in food science and human nutrition. The requested funds will provide for the recruitment and the first year of graduate study for approximately 80 doctoral students.

(5) Animal Science. The comprehensive study conducted by the USDA3/ showed the total number of graduates completing Ph.D. degrees in the animal sciences decreased from 193 in 1971-72 to 151 in 1977-78. This 22 percent decrease, in view of the significant number of currently unfilled positions, coupled with an estimated average annual faculty retirement rate of 6.1 percent during the period, 1980-89, and the additional pressures of governmental and industrial hiring of Ph.D.'s

in animal science, it is a very serious situation. Moreover, since animal agriculture contributes substantially to the economy of this nation as well as to the nutrition, health, and well-being of its people, it is imperative that research, teaching, and extension programs in the animal sciences be kept strong and productive.

Animal agriculture serves human nutritional, companion, and recreational needs in the United States well. Threeforths of the protein, onethird of the energy, most of the calcium and phosphorus, and substantial amounts of essential vitamins and other minerals in the American diet are from animal products. The requested funds should provide for the recruitment and the first year of graduate study for approximately 35 outstanding doctoral candidates. Efforts will be directed towards attracting students to programs which emphasize meat science, reproductive physiology, toxocology and pathology, and other disciplines as needed.

SUMMARY

Fiscal restraints and spiraling inflation are handicaping U.S. colleges of agriculture. The current fiscal situation is complicated further by the expected decrease in enrollment in the 1980's. We have not begun to meet the critical need for expertise and manpower development in the food and agricultural sciences. The current zero base Federal program is severely detrimental to higher education in food and agriculture and discourages the development of professional expertise. Funding the approved competitive graduate fellowship program will help develop professional expertise in food and agriculture, which is absoutely essential to strengthening agricultural productivity.

It is recommended that the Bankhead-Jones Act be funded at the authorized level of $12.46 million and that $6.0 million be allocated for the competitive graduate fellowships in the food and agricultural sciences, which will support about 400 doctoral candidates. We are currently mortgaging our future supply of agricultural researchers, teachers and extension workers by not making a greater commitment to the recruiting and training of scholarly graduate students.

The Congress of the United States is to be commended for its continuous support of agricultural research, teaching and extension programs. But to assure that we have the scientists and agricultural faculties to keep these programs strong and viable in the future, funds are urgently needed for competitive graduate fellowships. Numerous professional associations are working closely with, and depending on, the S&E, Office of Higher Education, USDA to outline and request support for these fellowships in the development of future budget requests. I urge your favorable consideration of this request as we strive to strengthen our enviable position of agricultural leadership in the world.

Thank you.

SUBCOMMITTEE RECESS

Senator COCHRAN. The committee at this time will stand in recess until 1:30 p.m., when we will reconvene here in this room for further testimony from outside witnesses.

[Whereupon, at 1 p.m., Monday, April 19, the subcommittee was recessed, to reconvene at 1:30 p.m. the same day.]

(AFTERNOON SESSION, 1:30 P.M., MONDAY, APRIL 19, 1982)

Present: Senators Cochran, Abdnor, and Mattingly.

NONDEPARTMENTAL WITNESSES

NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

STATEMENT OF NEIL SAMPSON, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

HEARING PROCEDURE

Senator MATTINGLY. This afternoon we will continue receiving testimony from public witnesses who have valuable information and views to share with the subcommittee on a wide variety of programs within our jurisdiction.

Your statements will be made a part of the record, and I encourage each witness to summarize your presentation prior to any questions the subcommittee might have.

We have an extensive list of public witnesses to hear today and tomorrow, and only a limited amount of time in which to receive this testimony; therefore, we would encourage brevity and succinctness wherever possible.

For the record, we caution witnesses that we may not receive any copyrighted materials for publication unless arrangements were made in advance for those materials being put in the subcommittee hearings. The notice is being given to protect copyrighted owners, as well as the subcommittee. Furthermore, if privately copyrighted material is reprinted in the record of these hearings, due notice of copyright must accompany the material in the record in order that the public will not be misled.

The first witness this afternoon is Mr. Neil Sampson, executive vice president of the National Association of Conservation Districts.

Welcome, Mr. Sampson.

Mr. SAMPSON. Thank you, Mr. Chairman.

NACD RECOMMENDATIONS

I would like to just briefly summarize the testimony that we have presented today. It contains a great many recommendations over a variety of programs, and reflects decisions that were made in February at our national convention. The recommendations that they made are indications of the priorities they think need to be placed in the different forums.

There are some recommendations where they have tried to go along with the President and his recommendations; I think our group politically and fiscally is very conservative oriented toward soil conservation and is very concerned about it, and tried where they could to hold those recommendations down. There were places, however, where they feel the administration is clearly funding some programs at a far lesser level than is wise, and they made those recommendations in that light.

I think there are only about two or three issues I would like to point out to you. One is the issue of converting a portion of this program to grants to States and to conservation districts.

In spite of the lack of support that has been present in the past programs for local funding to join in this program, our conservation districts have been successful in getting over $200 million in appropriated money from State and county governments. This has come at a time when those funds have been increasingly hard to take, and it has been very, very difficult to hold. Initial results back, however, from the legislative season that is just about to conclude in most States suggest that we are still able to hold on to those grants. I would hope that we can find some small part of this 1983 budget as the administration has proposed to use in a small system of matching grants to demonstrate that the Federal Government does appreciate the fact that in appropriating funds, it indicates their sense of severity of this problem and their willingness to cooperate.

Two or three issues we think are in front of the committee in a clear way on the 1982 Appropriations Acts.

There is a pending supplemental request to cover the pay costs of the Soil Conservation Service. We encourage its rapid passage.

We are also aware there is a rescission request of $2 million for the Renewable Resources Extension Act of 1978, and we hope you will reject that.

On the 1983 bill, we hope you will put language in on whatever you decide to do with new construction starts for watershed protection loans. Last year, that was put in the supporting documents and has been ignored by OMB. We would hope you will put it in the bill this year if you intend to move that way.

You will hear specific testimony on the 1981 farm bill; we support it, and we have indicated in our testimony that we have attached a summary of the national survey we ran on the ability of the R.C. & D. to attract State and local financing and to attract other non-USDA Federal financing. Unfortunately, my staff raised the question that that may not have been included here. I would like to be able to bring that summary up and attach it if we might.

Senator MATTINGLY. Yes, of course.

Mr. SAMPSON. In closing, I want to bring up the point that we think there are priority questions in the President's budget. We are seeing a proposal in 1983 to spend $1,000 per man, woman and child in this country for defense spending, yet $3.25 apiece for all of the programs in the USDA to help the non-Federal landowner. Now, we really think this subcommittee does not deal across the board with all those. Unfortunately, our society has to deal across the board with all of those, and this subcommittee is where it starts in terms of agriculture and in terms of our conservation.

We are convinced that without attention to these important programs, the Nation could face a far bigger threat than we might if we paid good attention to them.

I appreciate the chance to come before you today.

Senator MATTINGLY. Let me ask some brief questions.

What is the total of all the increases that the National Association of Conservation Districts is requesting over the President's budget?

Mr. SAMPSON. I would like to submit the answer to that after I add that up, because if I gave you that now, I would only be guessing. I did not put a total on them. It is about one-third of a billion or——

Senator MATTINGLY. $300 million?

Mr. SAMPSON. I would guess.

Senator MATTINGLY. Add on?

Mr. SAMPSON. I would guess; if you look at the way we added on to the grants and the watershed pianning, you can spot $200 million there.

Senator MATTINGLY. Realizing the pressures that are on the budget, could you make any suggestions other than what you said for corresponding reductions in the other areas, which would, at least, allow part or all funding while still holding the overall total at or below the President's request?

Mr. SAMPSON. In the total agriculture area, it would be the feeling of our people to suggest cutting in those areas of food and other support that we are not directly connected with, but we realize that would pit us against the constituencies who are just as concerned about their programs as we are about soil and water conservation.

At the same time we feel strongly the basic nature of those programs demand a stronger look at priorities, and that is the best answer we can come up with. It is a very difficult question.

Senator MATTINGLY. Well, I went to a hearing on military construction, and the same thing occurred there. The administration is requesting a $199 million supplemental which they are probably not going to get. The comment was made that it might not be bad to prioritize their budget in order to see what programs could be deferred until the new fiscal year.

Mr. SAMPSON. The President's budget proposes a 20-percent reduction in those programs from last year.

Senator MATTINGLY. Therefore, it might behoove you to look into other areas of the budget.

Mr. SAMPSON. Thank you.

Senator MATTINGLY. Thank you, Mr. Sampson. Your entire statement will be made a part of the record.

[The statement and the information provided subsequent to the hearing follow:]

NACD

PREPARED STATEMENT OF NEIL SAMPSON

EXECUTIVE VICE PRESIDENT

NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

SUMMARY OF NACD RECOMMENDATIONS

AGENCY AND PROGRAM	FY 1982 Appropriations	FY 1983 Budget	NACD Recommendation
SOIL CONSERVATION SERVICE--USDA			
Technical Assistance	233,916,000	250,460,000	300,000,000
Inventory & Monitoring	16,127,000	19,810,000	20,000,000
Soil Surveys	49,254,000	52,614,000	55,000,000
Snow Surveys	3,616,000	3,878,000	4,000,000
Plant Materials Centers	3,558,000	3,781,000	4,000,000
Resource Appraisal	4,338,000	6,037,000	6,037,000
Total Conservation Operations	310,809,000	336,580,000	389,037,000
Grants to States and Districts	-0-	10,000,000	100,000,000
Special Areas Conservation Program		-0-	10,000,000
River Basin Surveys	15,500,000	16,743,000	16,743,000
Watershed Planning	8,690,000	9,152,000	10,000,000
Watershed Operations	158,611,000	92,862,000	200,000,000
Flood Prevention Operations	23,434,000	14,859,000	30,000,000
Emergency Program (403)	10,000,000	10,000,000	10,000,000
Total Water Resources Program	216,235,000	143,616,000	376,743,000
Great Plains Cons. Prog.	21,500,000	15,308,000	50,000,000
Resource Cons. & Develop.	26,000,000	10,312,000	50,000,000
AGRICULTURAL CONSERVATION AND STABILIZATION SERVICE--USDA			
Agricultural Cons. Prog.	190,000,000	56,000,000	250,000,000
Forestry Incentives Prog.	12,500,000	-0-	33,000,000
Water Bank	8,800,000	-0-	15,000,000
Experimental Clean Water	-0-	-0-	20,000,000
Emergency Cons. Prog. (ECP)	8,800,000	-0-	10,000,000
Total ASC Cost-sharing	220,100,000	56,000,000	328,000,000
SCIENCE AND EDUCATION ADMINISTRATION (SEA)--USDA			
Agricultural Research			
Soil, Water and Atmospheric Research	55,129,000	64,211,000	64,211,000
Aquaculture Research	-0-		7,500,000
Agricultural Experiment Stations			
Hatch Act	141,109,000		158,466,000
McIntire-Stennis	12,031,000		13,281,000
Agricultural Extension			
S-L, Nonpoint source poll.	702,000		1,400,000
Renewable Resources Ext.	2,000,000	-0-	15,000,000
FARMER'S HOME ADMINISTRATION--USDA			
Rural Community Fire Prot.	3,250,000	-0-	6,000,000
Soil and Water Loans	53,100,000	31,000,000	60,000,000
Watershed Protection Loans	26,000,000	-0-	26,000,000
RC&D Loans	4,000,000	-0-	5,000,000

Mr. Chairman. Members of the Subcommittee

I am Neil Sampson, Executive Vice President of the National Association of Conservation Districts. The recommendations we bring you today are those that were adopted by our national Council at our Annual Convention in Phoenix, Arizona, this past February. They reflect a strong feeling on the part of our members that the Nation's soil and water conservation programs are not being adequately funded, not being given a national priority in keeping with their importance to the wellbeing of the citizens of this great Nation.

This Committee has established a long and distinguished record of support for soil and water conservation efforts, without which the national priority for these activities would have long since disappeared. This year, as before, you are being severely tested. The President's budget cuts many important conservation activities so low that they will be virtually nonexistant if allowed to stand.

Our district officals are concerned about the drastic cuts in the programs that help people with the costs of expensive conservation practices. Programs that support watershed construction, resource conservation and development measures and cost-sharing with individual farmers under the ACP, Great Plains, Forestry Incentives, and Water Bank programs would be virtually wiped out under the Administration's proposal. Conservation loans of all types under the Farmers Home Administration are slashed.

The net effect will be to dramatically reduce the public money available to assist with the construction of soil and water conservation measures in rural America. Coming at a time when American agriculture is $195 billion in debt, facing the bleakest year for net profits ($10-15 billion by most estimates) since the Great Depression, these budget cuts seem to assure that there will be little or no investment in building soil conservation practices in rural America in the coming year. That seems a terribly short-sighted approach, one that our districts feel is not in the best interests of the Nation.

NACD believes that the cut in conservation investments is too deep, and is misguided in the framework of national priorities. The critical financial situation of American farmers means that more, not less, public support for resource conservation, development and re-investment is needed if U.S. agriculture is to stay solvent and productive.

The President's 1983 budget proposes to hold soil and water research and conservation technical assistance at reasonable levels. We support that, and urge that you go along with the Administration on those proposals. Not all conservation work is construction, and research and technical assistance play the most important role in helping farmers establish practices like conservation tillage which is, today, the most rapidly-growing and effective soil conservation practice in the Nation.

In spite of the crunch on all non-defense spending, the Administration has responded to a long-expressed need and proposed a small program of matching grants to states and conservation districts. NACD supports this strongly and, in fact, our Council recommended a far higher amount than the Administration proposed. That gives you an expression, Mr. Chairman, of the importance we place on this new effort.

Our district people have been working their hearts out for years to increase the appropriations for soil and water conservation in state legislatures and local governments. The help they have recieved from Washington has been nil -- or negative. Too often, the budget-watchers in this town would see that districts were successful in getting state appropriations to supplement federal funds on a certain activity, then use that as the excuse to cut federal funds, saying "the states can handle that task." The net effect, of course, has been to completely discourage states and localities from helping fund these important programs.

In spite of USDA's lack of support, conservation districts have been successful in raising state and local funding steadily in the past decade, until today it is well over $200 million. But we face a critical juncture today. State and local governments face fiscal problems as severe -- or more severe -- than those you face at the federal level. Without some encouragement through matching grants, we may lose much of what we have gained on this effort.

So we urge you, in the strongest possible terms, to support the Administration's request for funding of the matching grant provisions contained in the 1981 Farm Bill. Use this small amount to draw financial support from other sources, and the federal dollars will be magnified many times in terms of effectiveness.

We oppose taking the dollars for this program from other conservation efforts, but we must be realistic. This year's budget is likely to see some decreases in the total program. In spite of that, the over-riding importance and value of a grant program means that some of our limited funds must be used in this manner.

Even though the FY 1982 Appropriations Acts have been passed, and federal agencies are half-way through the fiscal year, issues of concern to NACD still exist that will require Congressional attention. They are:

1. Supplemental funding to cover the pay costs in the Soil Conservation Service. Because of the October, 1981, Pay Act and the December, 1981, action on executive pay costs, the SCS came up about $18 million short of being able to meet its FY 1982 payroll commitments. Some funds have been redirected, and the agency is taking all management approaches open to it, including transfers of people between functions, no new hires, restrictions on promotions, transfers and filling vacancies, no vehicle purchase, and reduction of other expenses.

Congress should pass a supplemental appropriations act giving SCS enough funds so that the agency can operate normally. Disruptive personnel actions need to be avoided and minimum purchases and other expenditures must be made.

2. Fund the Renewable Resources Extension Act of 1978.

NACD worked for passage of the RREA (PL 97-103), and has consistently asked that it be funded. The FY 82 Appropriations Bill contained the first funding -- $2.0 million -- to begin the program. The Reagan Administration, in Rescission proposal #R82-6, dated February 10, 1982, proposed that the funds be rescinded and the program not started. Their rationale was that similar programs already exist. NACD believes that Extension programs in natural resources are sorely lacking and that Congress should reject the rescission proposal and insist that the program be initiated.

There are some specific details that we would request the Committee to consider in the 1983 Appropriations Bill. These include:

1. Last year's report language on new construction starts is being ignored by OMB. We suggest that the appropriate language be put in the bill itself so that the new starts intended by Congress can proceed.

2. Despite action in the 1981 Farm Bill to build a strong legislative base for the Resource Conservation and Development program, the President's budget continues to recommend a phase-out. We recommend language in the bill to prohibit the use of RC&D funds for efforts to phase out the program.

We recently surveyed the status of RC&D, and learned that in FY 1981 this program attracted over $34 million in non-federal funds and over $23 million in non-SCS federal funds to the project areas. A copy of our summary is attached.

In closing, however, let us once again note that the Administration proposes to cut soil and water conservation programs severely in 1983. At the same time, federal water projects are given a 23 percent budget increase, and the defense budget continues to soar. Mr. Reagan proposes to spend nearly $1000 per man, woman and child in this country for defense spending, but says we can't afford more than $3.25 apiece for all soil and water conservation efforts taken together. That is a warped set of priorities, that refuses to spend on the kinds of program efforts that build real security and strength, while pouring money into weapons systems that raise the level of international insecurity and danger. This Congress must reject that set of priorities, and establish better ones. In our small way, we stand ready to assist you in any way we can.

NACD

NEIL SAMPSON
Executive Vice President

April 21, 1982

Senator Thad Cochran
Chairman, Agriculture Appropriations
Subcommittee
United States Senate
Washington, D.C. 20510

Dear Senator Cochran:

In presenting our written testimony to the Subcommittee staff on April 19, 1982, we inadvertently left off an attachment concerning the Resource Conservation and Development program. To my dismay, we also have discovered a mathematical error on the front page of the testimony itself. A complete (and correct) copy of our entire statement, with attachments, is enclosed, and we would be grateful if it could be printed in the official record of the hearing.

Senator Mattingly asked me two questions which I would like to answer in this letter. The first was to give an idea of the total increases in the conservation programs that were represented by NACD's request, and the second was to suggest other areas where money could be taken to pay for these.

NACD's request would represent an increase up to $865,780,000 for the SCS programs and $328,000,000 for the ASCS cost-share programs. For the SCS, this would represent an increase of $349,964,000 (68%) over the Reagan budget, $291,236,000 (51%) over the 1982 appropriation.

Much of this is made up of this Association's recommendation for $100 million in a new grants program. Our delegates did not have a realistic expectation that this new program would actually be fundable at that level in 1983, but wanted to let you know how important they feel it to be, and how much they feel the states and districts are ready to move on immediately. I am aware that your own State of Mississippi testified to Chairman Whitten that they do not feel their districts can attract the matching funds for such a program, but I can assure you that many other districts and states are more than ready to do so. We support this grants effort strongly, and hope you can find at least the $10 million suggested by the Reagan budget for it.

The remainder of the increase in 1983 is largely in watershed construction, the Great Plains Conservation Program, the RC&D program, and the ASCS cost-sharing programs. These were deeply cut in the Reagan budget, while our people have long been convinced that they were already underfunded.

Our frustration with the question of "where could extra money come from" stems from the fact that our people are trying to speak about conservation programs, not balance the budget. To them, the answer is "almost anywhere," but they realize that any specific recommendation pits them against other constituencies, as dedicated to their programs as we are to those we support.

To fund our total request for an added $622 million would raise the President's projected budget deficit by less than one percent. To abolish all the federal conservation effort would reduce the 1983 deficit by only about one-half of one percent. In other words, we have the option to either gain or lose tremendous benefits for the land and the land users of America, with an insignificant change in the national economic picture.

We realize that you can't cut budgets outside the Subcommittee's jurisdiction, but something must be done to allow overall priority debates to surface and decisions to be made. We'll be more than happy to provide you any research or background material within our capability as you address this difficult problem.

Sincerely,

R. Neil Sampson
R. Neil Sampson
Executive Vice President

NATIONAL SUMMARY
(State)

RC&D Questionnaire
Conditions & Needs by State

1. Number of RC&D Areas in your state? 194

2. Of the above number, how many are less than three years old? 20

3. How many full-time coordinators in your state? 121

4. a. How many areas have the coordinator's position combined with other duties? 57

   b. How many coordinators serve more than one RC&D Area? 31

5. a. How many full-time clerks? 17

   b. How many part-time clerks? 90

6. How many RC&D Offices have been closed, or combined because of budget restrictions? 60

7. What amount of RC&D funds did your state expend during FY 81 for:

   a. Basic Operating Assistance 9,234,000

   b. RC&D Planning 1,718,000

   c. RC&D Measure Assistance

      1) Financial 10,539,000

      2) Technical 7,068,000

8. What amount of RC&D funds were budgeted during FY 82 for:

   a. Basic Operating Assistance 7,544,000

   b. RC&D Planning 840,000

   c. RC&D Measure Assistance

      1) Financial 9,774,000

      2) Technical 4,815,000

9. What amount of state, local and private funds were contributed to RC&D projects, including in-kind services for FY 81? 34,423,000

10. What amount of non SCS federal funds were contributed to RC&D projects during FY 81? 23,618,000

11. If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 83 for:

   a. Basic Operating Assistance 11,506,000

   b. RC&D Planning 2,609,000

   c. RC&D Measure Assistance

      1) Financial 34,873,000

      2) Technical 9,802,000

COMMENTS:

PLEASE RETURN BY MARCH 12, 1982.

NACD
1025 Vermont Ave., N.W., # 730
Washington, D.C. 20005

NEW ENGLAND
(State)

RC&D Questionnaire
Conditions & Needs by State

1. Number of RC&D Areas in your state? 12

2. Of the above number, how many are less than three years old? 0

3. How many full-time coordinators in your state? 8

4. a. How many areas have the coordinator's position combined with other duties? 2

   b. How many coordinators serve more than one RC&D Area? 1

5. a. How many full-time clerks? 0

   b. How many part-time clerks? 9

6. How many RC&D Offices have been closed, or combined because of budget restrictions? 3

7. What amount of RC&D funds did your state expend during FY 81 for:

   a. Basic Operating Assistance 786,000

   b. RC&D Planning 194,000

   c. RC&D Measure Assistance

      1) Financial 655,000

      2) Technical 264,000

8. What amount of RC&D funds were budgeted during FY 82 for:

   a. Basic Operating Assistance 746,000

   b. RC&D Planning 93,000

   c. RC&D Measure Assistance

      1) Financial 593,000

      2) Technical 308,000

9. What amount of state, local and private funds were contributed to RC&D projects, including in-kind services for FY 81? 1,360,000

10. What amount of non-SCS federal funds were contributed to RC&D projects during FY 81? 1,555,000

11. If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 83 for:

    a. Basic Operating Assistance 856,000

    b. RC&D Planning 203,000

    c. RC&D Measure Assistance

       1) Financial 2,122,000

       2) Technical 556,000

COMMENTS:

PLEASE RETURN BY MARCH 12, 1982.

NACD
1025 Vermont Ave., N.W., # 730
Washington, D.C. 20005

MID ATLANTIC
(State)

RC&D Questionnaire
Conditions & Needs by State

1. Number of RC&D Areas in your state? 20

2. Of the above number, how many are less than three years old? 3

3. How many full-time coordinators in your state? 15

4. a. How many areas have the coordinator's position combined with other duties? 11

   b. How many coordinators serve more than one RC&D Area? 3

5. a. How many full-time clerks? 3

   b. How many part-time clerks? 5

6. How many RC&D Offices have been closed, or combined because of budget restrictions? 4

7. What amount of RC&D funds did your state expend during FY 81 for:

   a. Basic Operating Assistance 990,000

   b. RC&D Planning 326,000

   c. RC&D Measure Assistance

      1) Financial 2,051,000

      2) Technical 1,304,000

8. What amount of RC&D funds were budgeted during FY 82 for:

   a. Basic Operating Assistance 616,000

   b. RC&D Planning 204,000

   c. RC&D Measure Assistance

      1) Financial 659,000

      2) Technical 784,000

9. What amount of state, local and private funds were contributed to RC&D projects, including in-kind services for FY 81? 1,470,000

10. What amount of non-SCS federal funds were contributed to RC&D projects during FY 81? 1,106,000

11. If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 83 for:

   a. Basic Operating Assistance 1,161,000

   b. RC&D Planning 303,000

   c. RC&D Measure Assistance

      1) Financial 4,540,000

      2) Technical 1,914,000

COMMENTS:

PLEASE RETURN BY MARCH 12, 1982.

NACD
1025 Vermont Ave., N.W., # 730
Washington, D.C. 20005

SOUTHEAST
(State)

RC&D Questionnaire
Conditions & Needs by State

1. Number of RC&D Areas in your state? 41

2. Of the above number, how many are less than three years old? 4

3. How many full-time coordinators in your state? 24

4. a. How many areas have the coordinator's position combined with other duties? 14

   b. How many coordinators serve more than one RC&D Area? 9

5. a. How many full-time clerks? 5

   b. How many part-time clerks? 24

6. How many RC&D Offices have been closed, or combined because of budget restrictions? 12

7. What amount of RC&D funds did your state expend during FY 81 for:

   a. Basic Operating Assistance 1,606,000

   b. RC&D Planning 269,000

   c. RC&D Measure Assistance

      1) Financial 4,053,000

      2) Technical 1,420,000

8. What amount of RC&D funds were budgeted during FY 82 for:

   a. Basic Operating Assistance 1,157,000

   b. RC&D Planning 123,000

   c. RC&D Measure Assistance

      1) Financial 2,503,000

      2) Technical 1,201,000

9. What amount of state, local and private funds were contributed to RC&D projects, including in-kind services for FY 81? 10,194,000

10. What amount of non-SCS federal funds were contributed to RC&D projects during FY 81? 8,791,000

11. If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 83 for:

   a. Basic Operating Assistance 2,284,000

   b. RC&D Planning 381,000

   c. RC&D Measure Assistance

      1) Financial 9,305,000

      2) Technical 1,872,000

COMMENTS:

PLEASE RETURN BY MARCH 12, 1982.

NACD
1025 Vermont Ave., N.W., # 730
Washington, D.C. 20005

SOUTHWEST
(State)

RC&D Questionnaire
Conditions & Needs by State

1. Number of RC&D Areas in your state? 33
2. Of the above number, how many are less than three years old? 2
3. How many full-time coordinators in your state? 18
4. a. How many areas have the coordinator's position combined with other duties? 6
   b. How many coordinators serve more than one RC&D Area? 7
5. a. How many full-time clerks? 4
   b. How many part-time clerks? 13
6. How many RC&D Offices have been closed, or combined because of budget restrictions? 12
7. What amount of RC&D funds did your state expend during FY 81 for:
   a. Basic Operating Assistance 1,759,000
   b. RC&D Planning 159,000
   c. RC&D Measure Assistance
      1) Financial 2,571,000
      2) Technical 1,056,000
8. What amount of RC&D funds were budgeted during FY 82 for:
   a. Basic Operating Assistance 1,401,000
   b. RC&D Planning 15,000
   c. RC&D Measure Assistance
      1) Financial 1,339,000
      2) Technical 611,000
9. What amount of state, local and private funds were contributed to RC&D projects, including in-kind services for FY 81? 4,308,000
10. What amount of non-SCS federal funds were contributed to RC&D projects during FY 81? 3,977,000
11. If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 83 for:
    a. Basic Operating Assistance 2,527,000
    b. RC&D Planning 490,000
    c. RC&D Measure Assistance
       1) Financial 6,231,000
       2) Technical 1,501,000

COMMENTS:

PLEASE RETURN BY MARCH 12, 1982.

NACD
2025 Vermont Ave., N.W., # 730
Washington, D.C. 20005

MIDWEST
(State)

RC&D Questionnaire
Conditions & Needs by State

1.	Number of RC&D Areas in your state?		33
2.	Of the above number, how many are less than three years old?		7
3.	How many full-time coordinators in your state?		23
4.	a. How many areas have the coordinator's position combined with other duties?		5
	b. How many coordinators serve more than one RC&D Area?		2
5.	a. How many full-time clerks?		3
	b. How many part-time clerks?		16
6.	How many RC&D Offices have been closed, or combined because of budget restrictions?		9
7.	What amount of RC&D funds did your state expend during FY 81 for:		
	a. Basic Operating Assistance	1,389,000	
	b. RC&D Planning	444,000	
	c. RC&D Measure Assistance		
	1) Financial	1,842,000	
	2) Technical	1,228,000	
8.	What amount of RC&D funds were budgeted during FY 82 for:		
	a. Basic Operating Assistance	1,324,000	
	b. RC&D Planning	246,000	
	c. RC&D Measure Assistance		
	1) Financial	1,948,000	
	2) Technical	643,000	
9.	What amount of state, local and private funds were contributed to RC&D projects, including in-kind services for FY 81?		8,215,000
10.	What amount of non-SCS federal funds were contributed to RC&D projects during FY 81?		3,512,000
11.	If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 83 for:		
	a. Basic Operating Assistance	1,698,000	
	b. RC&D Planning	678,000	
	c. RC&D Measure Assistance		
	1) Financial	4,100,000	
	2) Technical	1,422,000	

COMMENTS:

PLEASE RETURN BY MARCH 12, 1982.

NACD
1025 Vermont Ave., N.W., # 730
Washington, D.C. 20005

WESTERN
(State)

RC&D Questionnaire
Conditions & Needs by State

1. Number of RC&D Areas in your state? 54

2. Of the above number, how many are less than three years old? 3

3. How many full-time coordinators in your state? 32

4. a. How many areas have the coordinator's position combined with other duties? 19

   b. How many coordinators serve more than one RC&D Area? 9

5. a. How many full-time clerks? 2

   b. How many part-time clerks? 23

6. How many RC&D Offices have been closed, or combined because of budget restrictions? 20

7. What amount of RC&D funds did your state expend during FY 81 for:

   a. Basic Operating Assistance 2,634,000

   b. RC&D Planning 296,000

   c. RC&D Measure Assistance

      1) Financial 3,317,000

      2) Technical 1,564,000

8. What amount of RC&D funds were budgeted during FY 82 for:

   a. Basic Operating Assistance 2,242,000

   b. RC&D Planning 129,000

   c. RC&D Measure Assistance

      1) Financial 2,712,000

      2) Technical 1,244,000

9. What amount of state, local and private funds were contributed to RC&D projects, including in-kind services for FY 81? 6,711,000

10. What amount of non-SCS federal funds were contributed to RC&D projects during FY 81? 4,572,000

11. If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 83 for:

    a. Basic Operating Assistance 2,892,000

    b. RC&D Planning 534,000

    c. RC&D Measure Assistance

       1) Financial 8,450,000

       2) Technical 2,487,000

COMMENTS:

PLEASE RETURN BY MARCH 12, 1982.

NACD
1025 Vermont Ave., N.W., # 730
Washington, D.C. 20005

NACO QUESTIONNAIRE ON RESOURCE CONSERVATION AND DEVELOPMENT PROJECTS

March, 1982

Question	1	2	3	4a	4b	5a	5b	6	7a	7b	7c1	7c2	8a	8b	8c1	8c2	9	10	11a	11b	11c1	11c2
	No.	Age	Coordinators			Clerks		Offices	FY 81 Funds				FY 82 Funds				Outside Funds		Realistic Budget Needs			
State	RC&D's	-3 yrs.	F/T	P/T	Split	F/T	P/T	Closed	Oper.	Plan.	Fin.	Tech.	Oper.	Plan.	Fin.	Tech.	S/L/Pr	Fed.	Oper.	Plan.	Fin.	Tech.
										(1,000 $$)				(1,000 $$)			(1,000 $$)			(1,000 $$)		
CT	2	0	1	0	1	0	1	0	130	0	33	30	129	0	135	34	120	3	150	12	775	66
MA	2	0	1	0	0	0	2	1	140	10	276	102	140	12	156	93	308	0	150	75	500	250
ME	4	0	3	1	0	0	3	0	312	111	34	23	249	17	27	18	771	1,520	320	45	500	110
NH	1	0	1	0	0	0	1	0	54	64	26	6	48	57	80	18	14	0	56	61	32	7
RI	1	0	0	1	0	0	1	1	12	0	0	21	40	0	3	26	32	0	40	0	25	38
VT	2	0	2	0	0	0	1	1	138	9	286	82	140	7	192	119	115	26	140	10	290	85
N.E.																						
DE	1	0	0	1	0	0	0	1	38	0	416	100	28	0	135	65	150	750	70	0	350	90
MD	2	1	2	9	0	0	1	1	150	26	81	55	120	0	103	28	98	17	160	30	840	180
NJ	2	0	2	0	0	0	1	0	121	16	397	161	126	16	52	83	491	43	166	17	1,116	444
NY	5	0	4	0	1	0	2	1	150	228	238	378	100	168	106	268	200	20	210	200	400	550
PA	5	1	3	1	2	2	1	1	228	33	845	338	77	19	198	183	107	43	165	41	1,500	396
WV	5	1	4	0	0	1	0	0	303	23	74	272	165	1	65	157	424	233	390	15	334	254
Mid-Atl.																						
AL	6	2	5	6	1	3	2	0	118	133	519	271	95	40	311	195	437	54	138	150	1,500	312
FL	3	0	1	1	1	0	1	2	80	43	175	119	50	20	135	82	75	0	100	35	300	90
GA	6	1	3	3	0	0	4	0	265	5	741	60	195	0	133	40	1,000	60	500	0	1,500	250
KY	5	0	2	1	2	2	3	3	140	0	103	110	108	0	57	99	2,865	4,280	262	15	400	175
MS	4	0	2	1	1	0	3	1	255	0	881	185	296	0	680	162	3,273	4,171	386	0	1,000	250
NC	7	1	4	1	2	0	4	3	250	35	770	179	250	33	621	171	1,540	0	300	15	3,000	275
SC	4	0	2	1	2	0	2	2	148	0	180	386	110	0	209	289	620	86	148	36	605	200
TN	4	0	4	0	0	0	3	0	287	0	374	220	239	0	210	99	125	0	300	50	800	250
VA	1	0	1	0	0	0	2	1	63	53	310	90	53	30	147	64	259	140	150	80	200	70
S.E.																						

NACD QUESTIONNAIRE ON RESOURCE CONSERVATION AND DEVELOPMENT PROJECTS
March, 1982

Question	1	2	3	4a	4b	5a	5b	6	7a	7b	7c1	7c2	8a	8b	8c1	8c2	9	10	11a	11b	11c1	11c2
	No.	Age	Coordinators			Clerks		Offices	FY 81 Funds				FY 82 Funds				Outside Funds		Realistic Budget Needs			
State	RC&D's	-3 yrs.	F/T	P/T	Split	F/T	P/T	Closed	Oper.	Plan.	Fin.	Tech.	Oper.	Plan.	Fin.	Tech.	S/L/Pr	fed.	Oper.	Plan.	Fin.	Tech.
										(1,000 $$)				(1,000 $$)			(1,000 $$)		(1,000 $$)			
AR	5	0	3	1	2	0	2	2	200	0	274	245	200	0	144	150	163	0	300	100	650	250
KS	5	0	4	0	0	1	3	1	340	80	0	67	310	0	140	0	83	62	400	250	450	125
LA	3	0	1	1	1	0	2	0	135	0	225	95	135	0	230	70	231	0	150	120	600	120
MO	5	0	2	0	1	0	2	3	57	0	510	283	53	0	92	210	84	115	75	20	931	178
OK	5	1	4	0	1	3	1	0	257	29	194	120	297	15	177	49	47	0	302	0	600	128
TX	10	1	4	4	2	0	3	6	770	50	1,368	246	406	0	556	132	3,700	3,800	1,300	0	3,000	700
S.W.																						
IA	6	2	4	1	1	1	3	1	250	150	400	100	252	130	380	127	1,536	2,867	300	250	650	220
IL	4	0	4	0	0	0	4	0	225	30	54	107	242	11	122	111	3,957	236	310	123	500	150
IN	6	1	3	0	0	0	2	3	210	40	261	245	180	0	71	107	882	150	350	10	350	225
MI	4	4	4	1	0	0	4	1	160	0	636	305	160	0	278	132	1,056	75	160	20	650	350
MN	4	0	2	2	0	0	1	2	223	55	106	219	217	25	710	60	455	34	248	60	800	242
OH	5	0	4	0	0	2	0	1	121	145	288	119	143	58	290	71	401	0	150	190	1,000	160
WI	4	0	2	1	1	0	2	1	200	24	97	133	130	22	97	35	328	150	180	25	150	75
Mid-West																						
AZ	5	1	4	1	1	0	3	0	0	0	45	274	0	0	67	346	31	22	0	0	800	455
CA	3	0	2	1	0	0	1	1	205	32	302	75	210	50	77	23	130	1	210	60	497	100
CO	5	0	0	5	0	0	0	5	125	0	228	122	75	0	126	80	162	15	125	0	450	200
HI	2	0	1	0	1	0	1	1	100	0	271	22	85	0	80	12	98	0	110	0	225	50
ID	4	1	4	0	0	0	3	0	250	149	716	109	280	0	449	84	225	580	300	190	1,500	200
MT	3	0	3	0	0	1	2	0	240	0	349	90	225	0	315	42	1,080	10	225	0	620	115
NE	2	0	2	0	0	0	2	0	110	0	228	198	120	0	83	82	40	0	130	0	800	230
NV	2	0	0	1	0	0	0	0	0	15	0	0	0	18	12	8	0	0	0	15	0	0
NM	6	0	4	4	4	0	1	2	258	0	35	108	226	0	110	80	78	30	250	0	100	75
ND	6	1	2	1	2	0	1	3	329	20	106	105	243	0	186	103	2,103	844	390	40	1,100	250
OR	4	0	2	1	1	1	1	3	140	0	197	32	140	0	154	16	250	0	150	20	200	30
SD	4	0	4	0	0	0	3	0	237	0	230	237	227	0	263	227	100	0	300	10	500	300
UT	3	0	1	2	0	0	3	2	384	0	325	0	228	0	315	58	250	50	350	30	750	180
WA	2	0	1	2	0	0	1	2	123	45	128	102	100	24	261	35	267	0	192	96	408	152
WY	3	0	2	1	0	0	1	1	133	35	157	90	83	37	214	48	3,897	3,020	160	73	500	150
Western																						
Carib.	2	1	1	0	0	0	0	1	71	30	50	32	58	30	20	24	165	105	88	20	125	50
NAT'L SUM.	194	20	121	57	31	17	90	60	9,234	1,718	10,539	7,068	7,544	840	9,774	4,815	34,423	23,618	11,506	2,609	34,873	9,802

LAND IMPROVEMENT CONTRACTORS OF AMERICA

STATEMENT OF WILLIAM K. TRAVER, PRESIDENT, LAND IMPROVEMENT CONTRACTORS OF AMERICA

ACCOMPANIED BY MICHAEL STROTHER, WASHINGTON REPRESENTATIVE

INTRODUCTION OF WITNESSES

Senator MATTINGLY. Our next witness is Mr. William K. Traver, president of the Land Improvement Contractors of America. He is accompanied by Mr. Michael Strother.

Mr. TRAVER. I am Bill Traver and I represent about 4,000 members of the national trade association, Land Improvement Contractors of America. Accompanying me is Mike Strother, our Washington representative.

The organization has chapters in 34 States and members in 42 States.

Land improvement contractors are, by and large, conservation contractors. Our members work directly for the landowner installing conservation measures. These measures include a wide range of erosion control methods such as terraces, farm ponds, grassed waterways, earthen dams, diversion channels, conservation drainage, leveling and grading, and others.

SOIL AND WATER CONSERVATION

Our organization has for years urged greater incentives for soil and water conservation. This has been our consistent recommendation for two reasons:

First, soil erosion is a critical national problem. Conservative estimates by soil scientists put annual soil loss at nearly 4 billion tons per year. Fully half of this tonnage comes from cropland. The study further reveals alarmingly high erosion in several States. It estimated soil losses of 14 tons an acre in Tennessee, 11½ tons an acre in Missouri, and 11 tons per acre in Mississippi. This must be compared to the 4 to 5 tons per acre loss soil scientists say is the maximum sustainable rate. Thus, erosion represents a major national problem. This erosion rate could seriously affect our ability to feed ourselves in less than 100 years if it is not arrested. Soil sediment is also the No. 1 water pollutant, by volume, in the United States, according to EPA and USDA.

Second, farmers cannot afford to install all the necessary soil conservation measures under today's economic conditions. Major conservation measures require a large outlay of capital and have a slow rate of return, if any. A highly leveraged farmer, out of necessity, must realize a quick return on his investment. Conservation cannot give him this.

As an example of the low economic return ratio to a farmer on conservation measures, I cite a recent study called Costs and Benefits of Terraces for Erosion Control. The study was done by Kent Mitchell, John Brach, and Earl Swanson, respectively a university professor of agricultural engineering, a USDA agricultural engineer, and a professor of agricultural economics. Their study concludes "that, except in a few situations, the farmer will sacrifice income to control erosion by construct-ing terraces." Most conservation measures can have an equally low cost-benefit ratio to the farmer.

For the foregoing reasons, we believe it will take major new incentives to get critically needed conservation put on the land. Only by such action can we protect our food production base for the future. Our organization strongly endorses continuing present levels of Federal funding as an absolute minimum.

BUDGET REDUCTIONS AND RECOMMENDATIONS

The administration has proposed a serious reduction in funding for conservation in 1983, particularly in the areas of cost sharing for conservation practices and for small watershed projects. Yet, the administration proposes an increase in funding for education and technical assistance. Our organization cannot support these recommendations. It is our belief that what is most needed by farmers and ranchers is financial help in putting conservation practices on the land; not more money for studies, education, and technical assistance. They know what needs to be done. The problem is how to find the money to pay for it.

The administration further proposes turning control of federally-funded conservation programs over to the State governments. Here again, we believe this move to be unwise. The partnership between the county committee system and the Federal Government over the last 45 years works well and should, if anything, be strengthened. Through the county committees, local conservation needs are given priorities by local farmer-elected representatives who know the situation best. On the other hand, State control of Federal conservation programs is untried. In many cases, State governments are not equipped to handle these programs, and they would have to find new revenues to develop the required staff. The budget proposes no money to help them do this. Should we dismantle a tried and successful delivery system for an untried one which may be unwanted by the recipient to begin with? We believe it would be a bad bargain indeed.

Over the last several decades, soil erosion has accelerated while funding for Federal soil conservation programs has held steady or even dropped in the face of general inflation. ACP, which is surely the leader in putting conservation practices on the land, has fallen from a high of $500 million in 1936 to only $190 million in 1982, and the administration proposes a further cut to $56 million in 1983. Such levels of funding can hardly be expected to sustain an effective agricultural conservation program in all 50 States.

We would like to bring to the committee's attention another potential problem concerning the ACP payment limitations. Due to inflation, the current $3,500 individual annual payment limitation has lost some of its value as an incentive to the landowner. With today's costs, this amount is often too small a percentage of the overall project cost to be an effective incentive. We urge the committee to consider raising this limit to $5,000 to provide additional incentive, particularly on the larger projects.

As our members work with farmers on a day-to-day basis, they hear their opinions about conservation. In summarizing reports from the field, we would say the average farmer wants his farm to be a showcase of good practices, including conservation practices. In fact, it is our belief that most farmers have a strong conservation ethic. However, because of the high cost of farming, in general, high interest rates and low profits in farming today, the farmer must invest his capital where it will show the quickest and greatest return. As we have demonstrated, the return on investment for conservation is neither quick nor great. Even though the farmer wants to apply conservation measures, he often cannot as a matter of economic survival. He needs help.

As competition for agricultural resources compounds and as our budgets are stretched to the limit, conservation may well become a blue-chip investment for a Nation trying to rebuild its economy.

ADVANTAGES TO BASIC AGRICULTURAL CONSERVATION

Basic agricultural conservation provides: One, increased productivity, eventually; two, resource renewal, indefinitely; and three, pollution control, continually.

Thus, it allows us to grow more food, protect the environment, increase agricultural exports, and guarantee adequate food supplies for future generations.

Much more still needs to be done. Average gains in output per acre have dropped from 3 percent a year in the 1950's to barely over 1 percent in recent years. This has occurred despite massive increases in fertilizer and pesticide use. At the same time, demand for U.S. food has been growing rapidly. Exports have shot from around $6 billion to more than $32 billion a year in 10 years. Clearly, we must protect and enhance our resource base. Conservation is a big part of the answer.

LICA recognizes and applauds the leadership this committee has provided over the years in developing conservation to where it is today in America. When we hear in the news media almost daily about the urgent need for more soil and water conservation, it is fitting to reflect on where we would be today if it had not been for this committee and the Congress providing help and guidance for so many years in the field of conservation. We hope the committee will continue to build on this record.

We thank you for the opportunity to appear and present our views.

Senator MATTINGLY. Thank you very much for your statement.

Let me ask you a couple of questions.

Your statement was critical of the increased funding for education, and you said, "the financial help in putting conservation practices on the land."

I want to ask you if you are specifically recommending a reduction in fiscal year 1983 in education and redirecting some or a part of that reduction for conservation improvements?

Mr. TRAVER. I will answer the first part and then turn it over to Mike.

Working in my own county, sometimes we have the feeling that maybe we are overstaffed with the technical part of this, and more of that funding could be better spent to put conservation on the land. I am speaking primarily of my own county, and I will ask Mike to reply to your question.

Senator MATTINGLY. You can address any specifics you have.

Mr. STROTHER. I think, basically, the association is not recommending taking money away from educational assistance programs, but rather making increases in cost-sharing programs; if increases should be made, they should be made on land conservation supplement grants.

Senator MATTINGLY. I think we all realize the importance of effective soil and water conservation in maintaining and improving productivity, but the President's effort to reduce the size and cost of Federal activities for the State, county, and local entities is also very important.

Could you envision any circumstances under which we could place control of conservation programs at the State or local level?

Mr. STROTHER. Excuse me, Senator, did you say in circumstances where it has been done?

Senator MATTINGLY. Any suggestions as to where we could place them now.

Mr. STROTHER. Consistently, this association has recommended strengthening of the local county office under SCS. We feel the county committees should make the commitments on the conservation programs; those decisions should be made at the local level. By strengthening these committees, we bring in local input and control the programs, rather than submitting those decisions of the county to the Washington level.

Senator MATTINGLY. Do you not know of any offhand where you can move from Federal to State or local in addition to what they have?

Let me ask you another question.

Mr. TRAVER. I did not fully understand your question.

Senator MATTINGLY. Are you familiar with Senator Armstrong's bill in reference to limiting the Government subsidies for the growing of certain crops on poor lands—lands that have lost the elements to have proper growth?

Mr. TRAVER. I am not; are you Mike?

Mr. STROTHER. Yes, we have heard of that bill.

Senator MATTINGLY. I just wondered if you could state your position on a piece of legislation for the record? I understand there is a problem, basically, in the western part of the United States of the deterioration of tremendous amounts of acreage. His bill is to probably cease a farming operation, or not cease the operation, but cease getting Government subsidies.

Mr. STROTHER. The association does not have a position on the bill or that issue. If it would be helpful, we could try to get something and supply it for the record.

Senator MATTINGLY. I wish you would.

Thank you very much, gentlemen.

Mr. TRAVER. Thank you, Senator.

INDIANA LEAGUE OF RESOURCE CONSERVATION AND DEVELOPMENT COUNCILS

STATEMENT OF ROMAN UBELHOR, CHAIRMAN, INDIANA LEAGUE OF RESOURCE CONSERVATION AND DEVELOPMENT COUNCILS

Senator MATTINGLY. Our next witness will be Mr. Roman Ubelhor, chairman of the Indiana League of Resource Conservation and Development Councils.

Mr. UBELHOR. My prepared testimony, I understand, will become a part of the record.

Senator MATTINGLY. Yes, sir; it will.

[The statement follows:]

PREPARED STATEMENT OF ROMAN UBELHOR

CHAIRMAN

INDIANA LEAGUE OF R C & D COUNCILS

Mr. Chairman, Members of the Committee:

I want to thank you for allowing me to speak to you on behalf of the Resource Conservation and Development (RC&D) Program.

I am Roman Ubelhor, a farmer from the Lincoln Hills RC&D Area in Southern Indiana. I am a member of the Lincoln Hills RC&D Executive Council, Chairman of the Perry County Soil & Water Conservation District, and Chairman of the Indiana League of RC&D Councils. The Indiana League consists of six area councils and encompasses 39 counties.

I have spoken to this committee many times in the past and have found that we were always in complete agreement. I have a firm belief that this situation still exists. I know the budget situation has changed drastically, and our members are well aware of the need for restraints. I admire those of you in government who prudently advocate frugality. This very concept has always been the philosophy and guide for our program.

We wish to thank you for your support of the 1981 Farm Bill that gives the RC&D program strong legislative authority. We must now work together to have an adequate budget to carry out a continuing program.

Just one month ago, Northern Indiana was struck by devastating floods. Local and national news media gave glowing praise to all those who volunteered long hours of labor to protect their cities and towns. I don't think the men, women, and teenagers did this job for TV recognition, but because there was a job that had to be done now--or pay an even greater price a little later.

This is precisely what RC&D is all about. Volunteers have spent many long hours repairing damages that should never have occurred in the first place. Funds to accomplish these tasks have been provided through RC&D, cost sharing with state or local government. Our hope for the future is to recognize problems and correct them before damages are done. Corrective measures are always cheaper than repairing damages.

The RC&D in Indiana is striving to hold down costs voluntarily. Actions were taken in Indiana to further reduce costs, such as: Releasing four clerks, closing three RC&D offices, and three area conservationists are now acting RC&D coordinators. This leaves only three full time coordinators and two part time clerks in Indiana. In the Lincoln Hills, the county commissioners, recognizing the contributions of the RC&D, have provided office space rent free. The remaining two have moved into SCS field offices.

Here are some statistics for Indiana (in round numbers):

1981 - RC&D spent $500,000 to complete and install cost shared measures and $250,000 for rent, salaries, supplies, and overhead. Total $750,000.

In addition, $882,000 was spent by state/local governments, private groups, and individuals to complete the RC&D work in Indiana in 1981. We must note this contribution is $132,000 greater than the total RC&D funds expended in Indiana in 1981 through the Soil Conservation Service.

1982 - RC&D has $178,000 to complete and install cost shared measures; $180,000 for rent, salaries, office supplies: Total $358,000. (Note: We have 12 cost share measures awaiting funding.)

1983 - To be fully operational, Indiana would need $575,000 to complete and install cost shared measures; $350,000 for rent, salaries, supplies, and overhead.

With this needed funding for RC&D for 1983 in Indiana, we would proceed with these priority actions:

1. Contract the 12 plans now on the shelf.
2. Fill the 3 coordinator, 4 clerk positions, and open 6 offices.

3. Continue planning measures for installation in 1984, 1985, and 1986.

There are two types of measures that we work on--Financially Assisted Measures as referenced above and Associated Measures.

The Financially Assisted Measures provide technical and financial assistance to communities that are not eligible for assistance from other federal programs and agencies. Measures installed in Indiana include categories such as:

Critical Area Treatment - for erosion and sedimentation control.

Public Water Based Fish and Wildlife and Recreation Developments - to increase or improve fish and wildlife habitat and recreational opportunities associated with water.

Land Drainage - to improve surface runoff and drainage on public facilities, such as on a community park.

Flood Prevention - to provide flood reduction to farmland and communities through use of small dams and other temporary rainfall runoff storage facilities.

The Associated Measures are action items approved and carried out by the RC&D Council and the Resource Committees to improve the economy, the quality of the environment, and the overall level of living in the RC&D area. RC&D funds utilized in carrying out associated measures are limited to some of the RC&D coordinator/staff time to help coordinate the work on these action items.

We feel these are so important that we are including a brief report of selected Associated Measures completed in 1981 in each of our six RC&D areas in Indiana.

ARROW HEAD COUNTRY RC&D AREA -

The Arrow Head Country RC&D Forestry Committee sponsored a Wood Heat Clinic, September 26 & 27, 1981. The purpose of this clinic is to promote safe and efficient use of wood to heat homes as well as proper management of woodlands. Twenty exhibitors of wood stoves and chain saws paid a fee of $15 to exhibit at this two day clinic. During the two day clinic, a chain saw sculpter performs and explains the safe use of the chain saw. The forestry committee members have available brochures to promote safety and wise use of forestry resources. Because of the overwhelming response of the public to the Wood Heat Clinics, the forestry committee has had to expand the clinic to two days instead of one.

FOUR RIVERS RC&D AREA -

The Harvest Home Festival was a tremendous success. More than 3,000 people attended the two day show and sale at the Dubois 4-H Grounds on October 17 and 18, 1981. There were 118 exhibitors with 50 different kinds of home made crafts and 20 people demonstrated their craft work. Special events included steam engine farm tractors, horse and wagon, cider making, wheat threshing, corn meal grinding, circus train, kraut cutting, and ice cream making.

Plans are already completed and all available booths for the October 1982 festival were all sold out by January 1, 1982.

Over 4,000 people attended the Lost River Forestry Field Day and Arts & Crafts Show at French Lick Springs Hotel on February 28 and March 1, 1981. Many demonstrations and tours were made on wood products and their uses. One hundred and fifty-eight booths and displays demonstrated the interests in home made arts & crafts.

HISTORIC HOOSIER HILLS RC&D AREA -

The Tourism and Recreation Promotion Council raised nearly $5,000 from business, industry, service clubs, sororities, and others in an effort to promote tourism in the Indianapolis, Cincinnati, and Louisville tourist market area. Thirty thousand brochures were published containing a calendar of events of fairs, festivals and happenings in the HHH RC&D Area.

The Woodland Committee sponsored several educational programs including three woodland field days and timber stand improvement work and training sessions. During the year, the committee presented their Fourth Annual Historic Hoosier Hills Woodland Conservationist of the Year Award. Several slide programs were given to elementary school students by committee members in commemoration of Arbor Day.

HOOSIER HEARTLAND RC&D AREA -

The Hoosier Heartland RC&D Council has promoted conservation tillage as an associate measure. Local soil and water conservation districts have provided no-till planters for trial use by farmers. Last year, 5,000 acres of no-till were planted on 25 farms. These plantings have reduced annual soil losses by more than 30,000 tons on these demonstration acres.

The RC&D Council also conducted a two-day No-Plow Tillage Conference that was attended by 300 farmers. Twenty-seven agribusinesses financially sponsored the conference. Twenty-two speakers, including Cooperative Extension Service, Soil Conservation Service, Agribusinesses, and farmers, assisted on the program explaining the benefits and details of implementing a successful conservation tillage program.

LINCOLN HILLS RC&D AREA -

The Fish and Wildlife Resource Committee sponsored a special wildlife display for the 4-H county fairs. The Indiana Department of Natural Resources assisted with a display of snakes and reptiles. Persons visiting these popular displays increased the visitor's awareness of the need to conserve valuable natural resources. Four acres of wildlife food plots were established by the committee to supplement the natural food and cover in the Mogan Ridge area in the Hoosier National Forest.

The Tourism Resource Committee purchased a new display booth, printed and distributed 40,000 copies of the Vacation Land Guide, and used 60-second radio spot announcements during a 6-week promotion campaign with the Indiana News Network (INN) of 45 radio stations. Tourist attractions and facilities were pleased with the response from these efforts.

SYCAMORE TRAILS RC&D AREA -

The RC&D Council established and coordinated an educational program in each soil and water conservation district to increase the use of conservation tillage (No-Till and other methods) on our erosive cropland. Public response to these programs was very encouraging.

The RC&D Council was invited to speak to the Water Resource Commission of the Indiana Department of Natural Resources on the effects of RC&D on water resources of the state. Our council chairman presented this slide program.

Our forestry committee has been extremely active in holding a Timber Stand Improvement Field Day, Pond Management Demonstrations, Trapper's Clinic, and these are just a part of their "Program a Month" for the people of the Sycamore Trails RC&D Area.

The loss of the three coordinators and four clerks takes a heavy toll in RC&D activities, especially the associated measures which are so vital to the community. These associated measures cost so very little—and in most cases, nothing—yet they are what inspires community pride and awareness.

Mr. Chairman, if the urgency were not so great, I would not be here today. I think we both agree that the budget must be balanced, and I am sure we both agree that our country and its' resources must be maintained. I challenge any other program to deliver more for the money than the RC&D does.

My request today is this, do not allow the RC&D program to be phased out, and the cut of sixteen million dollars from our budget makes an adequate job impossible to achieve. To delay the job further would only add to the eventual cost.

I earnestly solicit your support and greatly appreciate your efforts on our behalf.

Mr. UBELHOR. I will just briefly make some remarks about this testimony and other things on my mind also.

Senator MATTINGLY. That will be fine.

Mr. UBELHOR. I guess I will highlight one place in my testimony where it says I was a farmer. I was a farmer, but I lost my farm this spring. But there are still other things more important than that.

First, I want to thank you for your support of the farm bill. That gives R.C & D. its strongest legislative authority; that was something we had been asking for for quite some time, and we were pleased to see it included in the farm bill.

The one thing that concerns us, I think probably more than anything right now, is the proposed phaseout of the R.C & D. program. Without the funding that it takes to do the job, we are still in trouble. I do not think R.C & D. members are quite ready to give up on our program yet. We still think it is one of the best, and we would like to have your continued support of it again.

The $16 million cut in the budget is going to make it very hard to do an adequate job out in the field. In Indiana, we have lost three coordinators and four clerks. I think where this hurts us most is in our associated measures. Without coordinating the association it is very hard to accomplish our goal, and the associated measures are the backbone of the R.C & D. program.

If you had studied the R.C & D. program, the cost-shared measures are the ones that address the damages that have already occurred in almost all cases; the associated measures, if you look at them closely, are the ones that recognize the fact that something is wrong, something can be done, and it is a group of people acting through the various committees who will do something about it.

Oftentimes, it is done at no cost to the Government, and at the very best, just a little cost—just the administrative cost of the coordinator's salary and possibly the clerk's salary is about all that is involved. It is a group of people recognizing something needs to be done. It is not always the same people. Possibly this group has erosion problems, and that group will work together to correct this.

There are tourism committees that realize maybe we could increase our standard of living with a little more tourism in our communities, or things like that. It does not need to be those things, but we have various kinds of committees. We have crops, dry stock, and forage which are engaged now in information tours on crop production, which is quite popular in every county in our area. Each county has at least one; some of them have two tours planned for the coming year. And things of this nature are what the associated measures are, and they are the most important as far as I am concerned to the R.C & D. program.

There is another thing that is gaining quite a lot of attention lately and that I am hearing more about. That is rural development. In my opinion, R.C & D. is what rural development is proposing, at least the approach. I think if you watched the rural development as it progresses, you will find various parallels with the R.C & D. program. I feel the

R.C & D. program could handle that very well, possibly with a little extra or additional authority. I am not sure we would even take that. As I understand the rural development proposal, it is what R.C & D. has been doing for quite some time. Just so long as we are talking about rural development and not rural urbanization, I think that is quite an important thing, and I do not think there is a place for rural urbanization in the rural scheme at all. We already have rural urbanization areas.

Those are the highlights I would care to talk about. If you have a question, I will be happy to try to answer it.

Senator MATTINGLY. You know that we are again facing decisions for cost-effective programs that are forced to compete for very limited funds.

In your opinion, could the R.C & D. program manage to perform at an accountable level if it was funded at the fiscal year 1982 level rather than the level of $10.3 million?

Mr. UBELHOR. We did quite well. I do not know of any program that would admit that they had all the money that they needed. We did do a lot of valuable work with our 1982 funding level. I, for one, would not complain if it were held at that, but as I understand it, there are some cuts proposed that would cut us down too far.

As I mentioned, there are three counties in Indiana that do not have a coordinator. These people do a good job, but they also have another job to do. I think the coordinator is absolutely necessary to effect a program. Without a coordinator, I think the whole program may just as well go.

Senator MATTINGLY. But you could get by with the 1982 funding level; is that right?

Mr. UBELHOR. Yes, we could continue.

Senator MATTINGLY. Let me ask you this. Do you have any ideas that you could suggest to the subcommittee where the agriculture budget might be reduced in order to move funds over to R.C & D. program?

Mr. UBELHOR. To move from one to the other?

Senator MATTINGLY. Yes, sir.

Mr. UBELHOR. I probably would not be the one to answer that. No, I am sure they all want theirs as much as the R.C & D. does, and I am not qualified to answer that.

Senator MATTINGLY. If you have any suggestions, I would appreciate your providing the committee with those. We will leave the record open for about 5 days if you have any suggestions.

Mr. UBELHOR. I sure will.

Senator MATTINGLY. If you do not have any suggestions, do not write; save yourself a 20-cent stamp.

Mr. UBELHOR. Thank you.

Senator MATTINGLY. You are welcome; thank you.

National Congress of American Indians

STATEMENT OF ELIZABETH LOHAH, NATIONAL CONGRESS OF AMERICAN INDIANS

Senator MATTINGLY. Our next witness will be from the National Congress of American Indians, Ms. Elizabeth Lohah.

Ms. LOHAH. I thank you for this opportunity to be heard today on behalf of the National Congress of American Indians to present our concerns about funding for soil conservation services and watershed programs on Indian lands.

CONSERVATION AND FLOOD PREVENTION ASSISTANCE

In 1981 the farm bill was amended to provide for rural development, conservation, and flood protection benefits for most Indian land. Prior to this, Indian tribes were denied this, because conservation was concerned only with demands of the Department of the Interior. Fortunately, other agencies, departments, and past administrations have realized that the trust relationship extends beyond the Department of the Interior.

The small programs which did exist have been terminated since 1973; thus it should not surprise you that over 80 percent of the 53 million acres of Indian claims requires some type of conservation treatment. This does not include, however, the over 44 million acres of land owned by the Alaska Natives. Thus, actual need for all Indian/Native Alaskan lands should be even greater.

However, in order for Indians to participate in SCS, Congress will have to provide more funds for SCS to provide conservation and flood prevention assistance to tribal governments. We have estimated an additional $25 million will be required to adequately fund conservation, flood protection, and rural development assistance on Indian lands.

Thus, we would like to go on record as supporting the budget recommendations of the National Association of Conservation Districts, and we urge the subcommittee to specifically recommend the additional designation of $25 million for budget category SCS conservation operations to provide conservation technical assistance to eligible Indian tribes.

In closing, both AIO and NCAI commend the Department of Agriculture for recognizing the urgent need for flood protection and rural development assistance. By including tribal governments in the 1981 farm bill, USDA has paved the way for tribes to better manage and protect the precious resources within their boundaries.

I thank you for your time and consideration, and we will be happy to answer any questions.

Senator MATTINGLY. Thank you.

It would appear from your statement that the soil and water conservation programs need to do some catching up in the area of Indian lands.

Ms. LOHAH. Yes.

Senator MATTINGLY. In light of earlier testimony we heard today, could you share the opinion, if forced to make a choice, that it would be better to provide money for conservation improvements and less funding in the technical and educational areas?

Ms. LOHAH. That is a very difficult question in light of the fact the tribes need both now, because it is only 1 year since they have been authorized to participate in these programs. I really could not make that decision. It is the chicken and egg problem; we need it all.

Senator MATTINGLY. Well, if there are going to be decisions made, then we rely on you to help us in those areas; if there is a priority, maybe you all could help us to find places, not only this area you are testifying about, but other areas as well.

Ms. LOHAH. I would be happy to consult with NCAI and my executive director and try to get you an opinion on that sometime in the next week.

I also would like, if possible, to add a briefing document which has a very concise explanation of the problems on Indian land for the record.

PREPARED STATEMENT

Senator MATTINGLY. Certainly, it will be made a part of the record, along with your statement.

Thank you very much.

[The statement and additional information follow:]

PREPARED STATEMENT OF ELIZABETH LOHAH

NATIONAL CONGRESS OF AMERICAN INDIANS

Mr. Chairman; Members of the Committee;

I thank you for this opportunity to be here today on behalf of Americans for Indian Opportunity and the National Congress of American Indians to present our concerns about funding for soil conservation services and watershed programs on Indain land.

AIO AND NCAI are two distinct Indian organizations both working toward the goal of a better life for American Indian people; the strengthening of the tribes' ability to govern themselves; the protection of tribal resources, be they human, timber, energy, fishing, and in the this instance, specifically, agricultural and water, and the development of a sound reservation economy.

Today we face critical problems on Indian lands with regard to soil erosion and annual flooding. A survey completed by the Soil Conservation Service (SCS) in 1977 indicated that 80% of the over 53 million acres of Indian lands in the lower 48 states require some type of conservation treatment. Conservation treatment needs by land use include:

60% of all cropland
67% of all grazed forest land
62% of all nongrazed forest land
75% of all pastureland

The survey also found that soil loss from erosion ranges from:

4-13 tons per acre on cropland
2-5 tons pers acre on grazed forest land
1-8 tons per acre on pasture land
1-40 tons per acre on rangeland

This survey did not, however, include the over 44 million acres of land owned by the Alaska natives. Thus actual need for all Indian/Native Alaskan lands should be even greater.

Prior to the passage of the 1981 Farm Bill, rural development, conservation, and flood protection benefits were denied for most Indian land. Under the Department of Interior 1940 Reorganization Plan, it was declared the trust responsibility of the Department to provide resource conservation on Indian land. Although, conservation is a trust responsibility, the Bureau of Indian Affairs has not been able to provide conservation or flood prevention since 1973. The BIA lacks both funds, and in-house conservation technologists. Thus, it should not surprise you that many reservations can be classified conservation disaster areas. Fortunately, over the past 30 years other agencies, departments, and past administrations have realized that the trust relationship extends beyond the Department of Interior.

In May 1981, the Watershed Protection Act was amended to allow "...any Indian tribal organization, as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 45b), having authority under Federal, State, or Indian tribal law to carry out, maintain and operate the works of improvement (Watershed Protection and Flood Prevention Act, Sec. 16 U.S.C. 1002, amended May 27, 1981 by the 1981 Farm Bill). Under the amended Act, Indian tribes are eligible for cost sharing contributions and technical assistance "on the same basis such assistance is furnished to districts organized under State law." (U.S. Department of Agriculture Secretary's Memorandum No. 2006, January 18, 1980).

Now tribal governments can qualify for watershed and flood prevention projects by either setting up conservation districts within their own reservations or they can qualify for service by adjacent conservation districts. Many of these lands are located in arrid regions which are subject to occasional high intensity rainstorms and winds, requiring some type of watershed/flood control protection. It is extremely important that there be sufficient funds to address these problems.

Currently, there are 9 active watershed projects involving Indian lands through adjacent conservation districts with 2 of those projects coming under Indian sponsorship. The SCS already foresees a potential for 24 more projects under Indian sponsorhip (Telephone Interview Survey, Rural Development Staff, SCS, April 27, 1981). This survey highlights the fact that Indian tribes are very aware of their need for serious rural development to improve the quality of life for their own people, as well as ways to improve the overall economy of the reservation.

Not only can the watershed program prevent the terrible damages inflicted by annual flooding, but it also provides the potential for enormous secondary benefits. Such benefits might include drinking water, irrigation for agricultural development, recreation, and an improved wildlife habitat.

Now that Indian governments are authorized to sponsor some type of resource development project on a cost-sharing basis with the federal government, these projects become economically more feasible. The SCS will see an increased interest in their programs from many of the 268 federally recognized Indian tribes and native groups. Already the Navajo government is organizing 5 conservation districts, with other Indian groups in the West to soon follow.

However in order for Indians to participate in the cost-sharing that will require technical assistance form the SCS, Congress will have to provide more funds for SCS to provide conservation and flood prevention assistance to tribal governments. We have estimated that an additonal $25 million will be required to adequately fund conservation, flood protection, and rural development assistance on Indian lands.

In closing, both AIO and NCAI commend the Department of Agriculture for recognizing the urgent need to assist tribes in soil conservation, flood protection, and rural development. By including tribal governments in the 1981 Farm Bill, USDA has paved the way for tribes to better manage and protect the precious resources within their boundaries.

We would like, at this time to go on record as supporting the budget recommendations of the National Association of Conservation Districts and we respectfully urge the sub-committee to specifically recommend the additonal designation of 25 million dollars for budget category SCS Conservation Operations to provide conservation technical assistance to eligible Indian tribes.

Thank you for your time and kind consideration.

Briefing Paper

February 11, 1982

Subject

Funds for Resource Assistance on Indian Lands.

Background

- There are, by virtue of the Alaska Lands Bill, over 44 million acres of land in Indian/Alaska Native ownership.

- There are over 53 million acres of Indian land in the lower 48 States.

- Prior to 1977, the Soil Conservation Service (SCS) did not provide conservation assistance on Indian trust lands because this responsibility was declared A Department of the Interior responsibility in the "1940 Reorganization Plan."

- Since the Indian Self Determination Act, the Bureau of Indian Affairs (BIA) capability to provide conservation assistance for Indian/Alaska Native natural resources has diminished to near zero.

- SCS is striving to assist with conservation efforts on Indian lands with continually diminishing budget and a staff which was not increased when authority was received to work on Indian/Alaska Native lands.

- SCS Natural Resource Inventories (1977) show that 80 percent of the over 53 million acres of Indian lands in the lower 48 States needs some kind of conservation treatment. Conservation treatment needs by land use are:

    - 60 percent of all cropland.
    - 67 percent of all grazed forest land.
    - 62 percent of all nongrazed forest land.
    - 75 percent of all pastureland.
    - 80 percent of all rangeland.

- Soil loss from erosion ranges from:

    - 4 to 13 tons per acre on cropland.
    - 2 to 5 tons per acre on grazed forest land.
    - 1 to 8 tons per acre on harvested timberland.
    - 4 to 30 tons per acre on pastureland.
    - 1 to 40 tons per acre on rangeland.

- Watershed sponsorship was not authorized for Federally recognized Tribes until included in the 1981 Farm Bill. Consequently, the flood protection and rural development benefits have been denied on most Indian lands.

- The U.S. Department of Agriculture now recognizes conservation districts formed under Indian Tribal or Federal law and has agreed to provide conservation assistance to such districts "on the same basis such assistance is furnished to districts organized under State law," (Secretary's Memorandum No. 2006, January 18, 1980).

Recommendations

- Provide funds for watershed studies and surveys on Indian lands, now that Indians are authorized as legal watershed sponsors. These projects are needed for flood protection, rural development, and low head hydroenergy production.

- Provide funds for SCS to be able to staff new offices in Indian conservation districts formed under Indian Tribal or Federal law and other Indian lands being assisted through existing conservation districts since the 1977 policy reinterpretation.

- Indian lands, natural resource management needs, and rural development assistance needs, now assigned to SCS, represent a workload for which it was never funded or staffed. Consequently, current efforts to provide financial and personnel assistance to help Indian needs is depleting already sparse resources.

- SCS appropriations need to be increased by at least $25 million annually to enable SCS to provide minimal assistance for conservation, flood protection, and rural development assistance on Indian lands.

BRIEFING PAPER

SUBJECT: Conservation Assistance to Indians on Tribal Lands

Issues: SCS assistance to the conservation districts formed under Indian Law.

Background: Prior to the issuance of Secretary's Memorandum No. 2006 it was the policy that SCS assistance (could) be provided only through conservation districts organized under the State law. Secretary's Memo 2006, January 18, 1980, states that technical assistance on soil and water conservation programs and practices may be provided to Indians through conservation districts organized under tribal or federal law. The data in Table 1, columns 1 through 6 was taken from the US Department of Commerce publication "Federal and State Indian Reservations and Indian Trust Areas." The figures in columns 7, 8, 9 and 10 represent the views or knowledge of SCS people in the States.

Items to be Considered: Redirection and targeting of funds may be necessary in States where Indians, on reservations of significant size, are forming their own conservation districts under tribal or federal law. Arizona is an example. The Navajo tribe is organizing five districts on their reservation. The Papago intend to do likewise. It is expected that this will occur on four more reservations in Arizona. The potential for this in other States is: New Mexico - 6 reservations, Idaho - 1 reservation, and Utah - 1 reservation. Alaska has a large potential of undetermined amount. This could eventually require SCS to staff 18 to 20, or more, field offices. No estimate is offered for the need in Alaska. The remaining 238 reservations are either in conservation districts or are being serviced by adjacent districts.

TABLE 1 ANALYSIS TO DETERMINE THE LIKELIHOOD OF CONSERVATION DISTRICT FORMATION ON INDIAN RESERVATIONS UNDER TRIBAL OR FEDERAL LAW

State	Number of Reservations	Acres	Population (1970-73) Data	Reservations Greater Than 25,000 Acres	Reservations Greater Than 100,000 Acres	Reservations That Have District Organized Under State Law	Reservations Serviced When Requested By Adjacent Cons. Dist	Reservations That May Organize Districts Under Indian Law	Reservations Now Organizing Districts Under Indian Law
ALASKA	Ntv Corp 16								
	Ntv Vlg 171	19,174	23,635						
	Resv 1	86,471	1,050	1					
ARIZONA	17	24,710,019	131,412	10	9	1 2/	10	4	2
CALIF	76	503,291	6,905	8			68		
COLO	2	902,897	2,044	2	2		2		
CONN	3	620	25				3		
FLORIDA	5	183,319	1,501	3	1		3		
IDAHO	4	683,515	4,849	3	1		3	1	
IOWA	2	3,476	561				2		
KANSAS	3	26,776	309				3		
LOUISIANA	1	262	268				1		
MAINE	2	27,546	1,077				2		
MASS	1	12	1						
MICHIGAN	5	20,651	2,069				5		
MINN	11	1,695,867	10,733	6	3		3*		
MISS	1	17,819	3,294				1		
MONTANA	7	5,870,982	24,137	7	7		7		
NEBRASKA	3	72,673	2,601	2			3		
NEVADA	23	1,171,118	4,866	4	3	1	22		
N MEXICO	24	3,422,637	30,125	18	8		18	6*	
NEW YORK	8	87,518	11,616	1			8		
N. C.	1	56,573	4,880	1			1		
N. D.	4	2,077,046	16,735	4	3		4		
OKLAHOMA	0	1,176,312	77,964				1/		
OREGON	4	821,945	2,718	2	2		4		
S.D.	8	5,962,416	29,019	7	7		8		
TEXAS	2	4,473	1,000				2		
UTAH	4	1,133,730	1,961	2	2		3	1	
WASH	22	2,783,185	19,085	5	4		22		
WISCONSIN	10	217,866	7,498	3			10		
WYOMING	1	1,888,556	4,435	1	1		1		
TOTAL	444	55,679,670	428,483	90	53	2	217	12	2

* - or more 429

1/ - no reservations, lands included in conservation districts

2/ - inactive

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

January 18, 1980

SECRETARY'S MEMORANDUM NO. 2006.

Conservation Assistance to Indians on Tribal Lands

Hereafter, in carrying out conservation programs and practices related to soil and water, Indian organizations operating under tribal or Federal law may, if otherwise qualified, be furnished technical and other assistance on the same basis such assistance is furnished to districts organized under State law.

Secretary of Agriculture

BRIEFING PAPER

ISSUE: Indian needs for a watershed program and authorization to be sponsors.

BACKGROUND: There are over 440 Indian reservations, native villages, and corporations in the United States. At least 268 Indian tribes and native groups residing on these Indian lands are authorized under Federal law. They are not authorized to do business as a State agency. Consequently, they are denied access to the Flood Protection programs set forth under the Public Law 566 Watershed Protection and Flood Prevention Act. This act states that only "agencies having authority under state law" can be sponsors of such watershed projects.

These groups account for about 85 percent of the total U.S. Indian Native American population and 90 million acres of land, 45 million of which are in the lower 48 States.

Two watershed projects pending sponsorship by the Kickapoo Indian Tribe in Kansas would provide a source of drinking water in an area where drinking water is now frequently being hauled in by truck.

The Bureau of Indian Affairs (BIA) does not administer watershed or flood prevention programs. Their only flood related assistance to Indians is provided for emergencies that arise because of flood damage. BIA indicates a willingness to support watershed projects to the extent possible. Also, Indian tribal governments have taxing powers to raise money for the operation and maintenance of the completed project works of improvement.

Many of these lands (about 80 percent according to 1977 SCS Natural Resource Inventories) need conservation treatment for watershed protection and flood control. Over 30 million acres of Indian lands are in arid regions, subject to occasional high intensity rainstorms and wind.

A telephone survey of 16 States (April 27, 1981) indicates a potential for 24 watershed projects which can only be carried out with Indian sponsorship. The potential is probably even greater. Because Indians are not able to sponsor watershed projects, they have generally not been assisted in this regard.

Most Indian reservations and communities have serious rural development and resource development needs. Flood control structures frequently can be developed to provide multiple uses such as drinking water, irrigation water, recreation, and wildlife habitat improvement. These kinds of benefits would improve the quality of life for these people.

STATUS: (1) Legislation, such as that contained in Senate Bill 884, page 126, lines 4 through 11, is needed to authorize the 268 or more Federally recognized tribes living on reservation lands to be sponsors of watershed projects carried out under the Watershed Protection and Flood Prevention Act. (2) Such legislation is needed to fulfill national commitments to civil rights and the promise of equal access to Federal programs.

Benefits:

1. Flood control and protection.
2. Erosion control.
3. Land treatment.
4. Sediment control.
5. Municipal water supply (drinking water).
6. Recreation.
7. Wildlife habitat improvement and development.
8. Agricultural development.
9. Improved income.
10. Improved quality of life.
11. Equality in access to programs.

POTENTIAL WATERSHED PROJECTS WITH INDIANS

The enclosed table summarizes information obtained by telephone interview on April 27, 1981.

Sixteen States with major Indian populations were surveyed. The results indicate a readily recognizable potential for 24 projects. Two projects are pending Indian sponsorship, and nine active projects currently involve Indian lands. This survey, most likely, does not reflect the full potential, as people stated that since Indians are not authorized to be sponsors, minimal effort has been made to assist them in water resource management and development.

Prepared by Douglas V. Sellars, Indian Liaison, Rural Development Staff, SCS, April 27, 1981.

State	No. of Projects	Potential Projects	Pending Projects	Project Name
North Dakota		1		Muskrat Lake - Fort Berthold Reservation, Arikara, Mandan and Hidatsa Tribes.
Washington	2			Green River Project - Musclechoot Tribe
		2		Yakima Nation - SCS requested to do water resource development study
Arizona		5		Colorado Indian Reservation Hopi Indian Reservation Navajo Indian Reservation (The above reservations have conservation districts. The State Conservationist feels some other reservations will also apply if S. 884 passes.)
Colorado	0	7		Southern Utes Ute Mountain Tribe (State Conservationist says some projects would be all on Indian land and some would be on Indian and non-Indian land.)
New Mexico	3			Zuni Pueblo Sebastion-Martin Black Mesa Espanola-Rio Chama (Watershed Staff Director says New Mexico tribes, Pueblos, et al., have authority to be sponsors.)
Montana	0	1		City of Browning - would involve the Blackfeet Tribe

State	No. of Projects	Potential Projects	Pending Projects	Project Name
		2		Winnebego Tribe at Walthill
				Omaha Tribe at Walthill
California	0	3		Imperial County - Bard RCD - Quechan Reservation, Cohuil Tribe
				San Diego County - Campo Rese tion - Diequeno Tribe
				D. Q. University - Yolo Count for the Chickahomence - Hoo Slough (D. Q. Univeristy is an Indian school.)
Connecticut	0	0	0	----
N. Carolina	2			Moss Neck (as private citizens
				Jacobs Swamp (as private citiz
Florida	0	0	0	Indians in the Lake Okeechobee area were refused watershed projects twice, because they were not authorized to be sponsors.
Maine	0	0	0	----
New York	0	1		South Branch (would handle via RC&D)
Minnesota	0	0	0	----
S. Dakota	3			Wetstone (protecting scattered lands)
				Springfield
				Springbull (Yankton Sioux)
		3		Cheyenne Reservation - Sioux - B.C. ratio low at present)
				Pine Ridge Reservation - Oglala Sioux
				Lower Brule Reservation - L.B. Sioux
				(The above reservations are in RC&D applicant areas and are RC&D sponsors. The RC&D may develop watershed measures.)
Kansas	3			Elk Creek (Part of this water is earmarked for the Kickapoo.
			1	Upper Delaware and tributaries
			1	Spring-Straight Creek
				(The area covered by the above projects has a severe drinking water shortage.)
Michigan	0	0	0	----

NATIONAL WILDLIFE FEDERATION

STATEMENT OF EDWARD R. OSANN, DIRECTOR, WATER RESOURCES PROGRAM, NATIONAL WILDLIFE FEDERATION

ACCOMPANIED BY REED HARVEY

SOIL EROSION

Senator MATTINGLY. Our next witness is Mr. Edward Osann of the National Wildlife Federation.

Mr. OSANN. I am Edward Osann; I am director of the National Wildlife Federation's water resources program. With me today is Reed Harvey.

The Federation, with over 4.2 million members, is the largest conservation group in the country, and we share the subcommittee's concerns with America's soil erosion problems. Our testimony today will focus on the small watershed program.

SMALL WATERSHED PROGRAM

We view the soil problem as one of the Nation's most pervasive. We specifically urge you to do the funding reduction in the small watershed program—Public Law 83-566—as sought by the administration. That may sound strange to Congress——

Senator MATTINGLY. It is unique.

Mr. OSANN. Mr. Chairman, in our opinion, the small watershed program in its present form does little to prevent soil erosion. Congress heard this year that soil erosion is worse than in the Dust Bowl of the 1930's. Erosion rates exceed replacement levels on at least one-third of America's cropland according to USDA. At a time of such severe erosion, we commend the administration's effort to make soil conservation once again the primary objective of the Soil Conservation Service. Watershed and flood prevention operations should rightly be cut since few of the funded projects lead to major soil erosion or sedimentation reduction. Instead, the SCS pays for flood control dams, stream channelization projects, and wetlands drainage projects. These projects do little to reduce soil erosion and irreparably harm scarce wildlife habitats. In our opinion, the SCS should turn away from its environment-altering emphasis and move toward its main objective of reducing soil erosion. Specifically, we suggest that you appropriate the $117 million for watershed and flood prevention operations in fiscal year 1983, as sought by the administration. We urge you to pass an appropriations bill for the SCS this year that reflects this redirection of effort.

PUBLIC LAW 566 PROJECTS

Mr. Chairman, over the past year we have reviewed new Public Law 566 projects as they have come through the planning pipeline from SCS. We found that with 13 projects we were reviewing in detail, only 3 of those 13 had economic benefits derived from soil erosion control and sedimentation that were greater than 10 percent for the total project benefits attributed to those projects.

A very small fraction of the resources of the Public Law 566 program is going to actually control eroding soils, and in our opinion, the reduction as sought by the administration would force a reorientation program onto those cost-effective measures that the SCS is capable of undertaking that would have the greatest impact for the dollar in soil erosion.

Now, we are seeing projects coming through that do represent cost-effective solutions to serious erosion problems, and when we see these, we are pleased to be able to support them. But our concern is that up until the present time, Congress has focused on extreme modification and building channelization, and so the Public Law 566 program has little, if any, impact on that. These are basically flood control projects, and we have the Army Corps of Engineers which is capable of controlling floods anywhere in the country. We think the most proper focus of SCS is controlling soil erosion. Nobody else has that as their primary mandate.

Thank you, Mr. Chairman.

RURAL ABANDONED MINE PROGRAM

Senator MATTINGLY. Let me ask you something about which you mentioned in your testimony regarding the rural abandoned mine program which has used only roughly $40.8 of its $176.3 million collected since 1978.

Do I understand that these funds were collected specifically for the purpose of implementing the grant program? Could you tell us where these moneys are held—in a trust fund or with agency funds?

Mr. OSANN. We believe they go into a trust fund and are used for no other purpose.

Senator MATTINGLY. For no other purpose?

Mr. OSANN. Yes; it is a fee paid by mine operators.

Senator MATTINGLY. Is that roughly $136 million?

Mr. OSANN. We would have to check on the unappropriated balance.

Senator MATTINGLY. What is done with it?

Mr. OSANN. While it is in the trust fund?

Senator MATTINGLY. Since 1978, what is it to be used for?

Mr. OSANN. When it is not being spent?

Senator MATTINGLY. Well, yes.

Mr. OSANN. I assume like any other unappropriated balance, it is available for borrowing by the Treasury. When appropriated for soil conservation, of course, they make use of it for the Rural Abandoned Mine Act, and in our opinion they have a program to do a good job, but they are just getting started up.

Senator MATTINGLY. So there is roughly $135 million since 1978, which is approximately 4 years. I think it ought to be stated for the record that this committee should see what moneys might need turned back to the Treasury, but could leave some money also in that account to be used for the grant program; while the other money is not being used, obviously, you might do better to turn it back to Treasury or else possibly some lateral move of that fund for some other type of program.

Mr. OSANN. We appreciate your interest in this.

Senator MATTINGLY. Tell us how much of our wetland resources we are losing each year.

Mr. OSANN. Our understanding is that the director of the Fish and Wildlife Service testified that the Nation is losing about 300,000 acres of wetlands annually.

Senator MATTINGLY. Thank you all very much.

[The statement follows:]

NATIONAL WILDLIFE FEDERATION

PREPARED STATEMENT OF EDWARD R. OSANN

DIRECTOR, WATER RESOURCES PROGRAM

My name is Edward Osann. I am the Director of the National Wildlife Federation's Water Resources Program. The Federation, with over 4.2 million members and supporters and affiliate organizations in all 50 states, Guam, Puerto Rico, and the Virgin Islands, is the nation's largest conservation organization. Mr. Chairman, our organization shares your concern with America's soil erosion problems. We view it as one of the nation's most pervasive and threatening environmental dangers. Therefore, we appreciate the opportunity to testify before you today on the Administration's proposed FY 1983 budget for the Soil Conservation Service. We specifically urge you to concur with funding reductions in the Small Watershed Program (P.L. 83-566). NWF also asks that you seek increased appropriations for the SCS's Rural Abandoned Mine Program.

The Small Watershed Progam does little to reduce soil erosion.

Mr. Chairman, soil erosion is worse today than in the Dust Bowl of the 1930s. Erosion rates exceed replacement levels on at least one-third of America's cropland. At a time of such severe erosion problems, we commend the Administration's effort to make soil conservation once again the primary objective of the Soil Conservation Service. Watershed and Flood Prevention Operations should rightly be cut since few of the funded projects lead to major soil erosion or sedimentation reduction. Instead, the SCS pays for flood control dams, stream channelization projects, and wetlands drainage projects. These projects do little to reduce soil erosion and irreparably harm scarce wildlife habitats. The SCS should turn away from its environment-altering emphasis and move toward its main objective of reducing soil erosion. Specifically, we suggest that you appropriate the $117 million for Watershed and Flood Prevention Operations in FY 1983, as sought by the Administration. We urge you to pass an appropriations bill for the SCS this year that reflects this redirection of effort.

SCS resources should be spent on critically-eroding areas.

The 1981 Program Report on the RCA process indicates that "controlling the erosion on the most severely eroding . . . cropland would reduce total cropland erosion by 54 percent and excessive erosion on cropland by 89 percent." The SCS began to target a portion of Conservation Technical Assistance funds in 1981 to severely eroding areas and, as you know, has proposed a new $10 million matching grant program this year to increase state and local involvement in the soil conservation effort. These "worst-first" methods of reducing soil erosion make good common sense. We urge you to support and expand programs like these that target funds to areas with the most severe losses in agricultural productivity.

However, we are dismayed to see at the same time that the SCS has decided to get back into the business of draining wetlands. On October 26, 1981, SCS proposed new regulations to allow SCS to renew their program giving technical assistance to individuals to alter, drain, or destroy wetlands. We believe that it is entirely inappropriate for SCS to support projects that destroy wetland resources when it should be concentrating its efforts on severely eroding land.

A new policy direction is needed.

We believe that commodity support payments, Farmers Home Administration loans, and other USDA payment programs should not encourage farmers to slight soil conservation practices. It is self-defeating to spend millions on soil erosion control while at the same time paying farmers to bring marginal lands under production. Therefore, NWF urges the USDA to require evidence of good soil conservation practices in targeted areas as a prerequisite for receiving FmHA loans, commodity payments, and other related payments. We do not advocate immediate "cross-compliance" across the nation at this time. It would be appropriate, however, to begin with the 7 percent of cropland acreage on which 43 percent of cropland erosion occurs.

The Rural Abandoned Mines Program should be adequately funded.

Mr. Chairman, in a related matter, the Federation suggests that you act to stop the Interior Department from gutting the SCS's Rural Abandoned Mine Program (RAMP). Since 1978, 1,376 acres of abandoned mine lands have been treated under the RAMP program, thus eliminating hazards to human life, increasing arable land acreage, improving water quality, and increasing wildlife habitat.

RAMP, however, is being destroyed by the Department of the Interior. Of the $176.3 million that SCS, by law, may receive from the Abandoned Mine Land Funds collected since 1978, only $40.8 million has actually gone to this program. The 1982 funding level for RAMP is $5.1 million--about one-half the amount appropriated in 1981 ($10.3 million). This is only enough money to continue construction on projects that have been started. The $3.65 million requested by the Administration for FY 1983 can only be treated as a phaseout request. Yet the money for RAMP continues to grow in the Federal treasury and landowners continue to flood SCS with requests for RAMP assistance. Right now, SCS is ready to spend up to $80 million on reclamation of abandoned mine lands in the next two years.

NWF urges you to consider additional funding for RAMP to come out of funds that have been put aside for the sole purpose of funding the reclamation of abandoned mine lands. We recommend that Congress appropriate $40 million for the RAMP for FY 1983. To fail to adequately fund the RAMP program is to lose an opportunity to have our abandoned mine lands reclaimed for use by farmers, sportsmen, and wildlife.

NEW ENGLAND RESOURCE CONSERVATION AND DEVELOPMENT ASSOCIATION

STATEMENT OF DAVID H. WORDELL, PRESIDENT, NEW ENGLAND RESOURCE CONSERVATION AND DEVELOPMENT ASSOCIATION

Senator MATTINGLY. The next witness will be Mr. Dave Wordell from the New England Resource Conservation and Development Association.

Good afternoon. Do you have a statement for the record?

Mr. WORDELL. Yes, I have submitted it, and I also have an oral statement.

Good afternoon. I am David H. Wordell, president of the New England Association of Resource Conservation and Development Areas, and president of the eastern Connecticut R.C. & D. area.

RESOURCE CONSERVATION AND DEVELOPMENT

The purpose of my testimony today is to gain your support for the Resource Conservation and Development program. As part of my testimony, I will present a resolution of the New England Association of R.C. & D. Areas.

Whereas, section 1530 of the title XV, resource conservation, subtitle H, "Resource conservation and development program," a part of Public Law 97–98, signed to be a law of the land on December 22, 1981, states in part, "The Secretary shall establish a resource conservation and development program," and

Whereas, this same program has been operational and has established a history of expending Federal budgeted moneys since about 1962, and

Whereas, there is a strong continuing need for a sound fiscal base that will provide for both technical and financial assistance to the now existing 194 R.C. & D. areas in these United States, and

Whereas, each individual R.C. & D. Area Council/Committee is a strong grass roots organization serving as a viable vehicle to sponsor and support many aspects of rural development which are not being adequately attained through any other program, and

Whereas, the National Association of Conservation Districts will request a 1983 fiscal year budget allocation for the R.C. & D. program of $50 million——

Now therefore be it resolved, that this New England Association of R.C. & D. Areas, and each of the now 12 R.C. & D. areas in the States of Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut, do, hereby, jointly concur with and strongly support the National Association of Conservation Districts by requesting all our Congressmen and the Office of Management and Budget to adopt a 1983 fiscal year budget allocation of at least $50 million that does not include "Phase Out" language.

This resolution was unanimously adopted during the mid-winter meeting of the New England Association of R.C. & D. areas that was held in South Deerfield, Mass., on April 3, 1982.

NEW ENGLAND R.C. & D. PROGRAM

Let me review the New England Resource Conservation and Development program. As you know, the R.C. & D. program is carried out in an area by local people who form a resource improvement organization. Typically, each R.C. & D. area covers several adjacent counties, which include many towns. In accordance with a provision of the Food and Agriculture Act of 1962, technical and financial assistance from USDA is provided to qualifying R.C. & D. areas. In addition to the Food and Agriculture Act of 1962, R.C. & D. legislation was included in the farm bill that was recently passed and signed by the President.

In one R.C. & D. area, the emphasis may be on improving facilities for recreation; in another, on creating new jobs and industries that utilize local hardwoods; in another, it may be controlling critical erosion on rural roadsides and other public facilities. While specific aims of R.C. & D. areas differ, in all of them, residents work to improve their economy and their environment through the conservation, development, and better utilization of natural resources. The R.C. & D. approach to resource planning and project implementation has proved very popular. They are located in every State except Alaska, and include approximately 1,200 counties.

Official sponsors of R.C. & D. areas include aoproximately 3,150 local and State units of government and other groups, including counties, cities, towns, and soil and water conservation districts. R.C. & D. financial and technical assistance is needed to plan and implement measures dealing with such items as: critical area treatment or erosion control, flood prevention, public waterbased fish and wildlife and recreation development, land drainage, farm irrigation, soil and water management for agriculture-related pollutant control, and water quality management.

R.C. & D. PROGRAM IN NEW ENGLAND

New England is proud of its R.C. & D. program. In Connecticut, for example, the establishment of an environmental review team was accomplished. The purpose of an environmental review team is to provide the local decisionmakers and developers with natural resource data and interpretation which will aid in the development of better environmental quality and the long-term economics of land use. The unique aspect of the evolution of the ERT has been the cooperation among different agencies at various levels of government, namely the Soil Conservation Service, Soil and Water Conservation Districts, Cooperative Extension Service, Department of Environmental Protection, and Health and Regional Planning Agencies.

These professionals cover a wide range of disciplines within the fields of natural resources, engineering, and planning. Following a request by a town and/or developer, the ERT conducts an onsite study of the proposed development. The distribution, quantity, and quality of the natural resources on the site and in the surrounding area are evaluated by each discipline with respect to their ability to support the proposed development and the probable effects of the development on the natural resources. Final ERT reports present only factual information highlighting potential problems, limitations, alternatives, opportunities, and areas of possible tradeoff. Initially conceived by the eastern Connecticut R.C. & D. area, the ERT concept has gradually expanded to R.C. & D. areas throughout the Northeast. HUD recognized and promoted the environmental review team on a national level. We have conducted over 350 reviews in Connecticut.

Fiscal year 1981 was a banner year for R.C. & D. activity in Vermont. Program momentum and public support is high. The Council and sponsors of measures in the newly expanded George D. Aiken Area had expected to begin several measures in the expansion area of Windham County. However, the fiscal year 1982 budget reduced technical assistance from $230,000 to $161,000 and financial assistance from $287,000 to $65,000. Therefore, it appears that few measures can be funded in either R.C. & D. area. Further reductions in fiscal year 1983 would cripple the R.C. & D. effort in Vermont.

At the present time in Massachusetts, we have two R.C. & D. areas operational; the Berkshire-Franklin and Pilgrim areas. An application was submitted to the national office in June 1981, to expand the Berkshire-Franklin Area to include two additional counties, and change the name to Berkshire-Pioneer Area. Also, an application was submitted to the national office in May 1981, regarding a new R.C. & D. area. Both applications are pending on the outcome of the fiscal year 1983 R.C. & D. budget. If and when these applications are approved, R.C. & D. will cover all of Massachusetts. Massachusetts is one State that could maximize the concept of R.C. & D. planning, if the dollars were available. The New England States have R.C. & D. areas that are in the process of submitting and are preparing applications to enlarge R.C. & D. boundary lines.

The New England States have a total of 12 R.C. & D. areas with only 8 full-time coordinators due to budgetary restraints, making it very difficult to carry out an effective R.C. & D. program. The funding level for New England decreased by 11 percent from fiscal year 1981 to fiscal year 1982. Let me say again, the New England Association of R.C. & D. areas supports increased R.C. & D. funding, along with language in the 1983 appropriations act that clearly prohibits the administration from carrying out any sort of phaseout of the program.

The R.C. & D. program in New England has always maintained strong grassroots support, and it has promoted the planned development and conservation of community natural resources. We feel continued R.C. & D. assistance is a key factor in furthering community development and economic growth.

The uniquely blended effort of citizen and government that constitutes R.C. & D. is one of this country's most effective tools for addressing natural resource issues. We strongly encourage you and your committee to oppose the President and USDA's proposal to phase out the funding for the R.C. & D. program. Congress' strong endorsement of R.C. & D. in the farm bill passed just a few months ago gave the R.C. & D. program a new lease on life. We would appreciate the opportunity to return that confidence.

Mr. Chairman, thank you for the opportunity to speak.

Senator MATTINGLY. Thank you for your testimony.

I will ask you just one question. In your opinion, do the R.C. & D. programs function at the fiscal year 1982 level?

Mr. WORDELL. Could it function in New England? In the submitted testimony, which I believe you have, we have shown that financial measures for 1983 have increased four times from approximately $1 million to $4 million; so in New England we need additional funding. How it is split up from the overall national level that they get will depend upon how it is built up, and I cannot answer that part of it.

But we in New England need more money to carry out the functioning plan for 1983.

Senator MATTINGLY. Knowing that fiscal year 1983 budget will not give you much of anything, in your opinion would the 1982 level be a little better?

Mr. WORDELL. Yes. We are still asking for $50 million.

Senator MATTINGLY. Everybody else is too.

Thank you very much.

[Additional information on the New England R.C. & D. projects follow:]

Funding for New England R.C. & D. projects

New England States spent the following amount of R.C. & D. funds during fiscal year 1981 for:	
Basic operating assistance	$786,125
R.C. & D. planning	193,925
R.C. & D. measure assistance:	
Financial	656,000
Technical	265,888
Total	1,901,938
The following amount of R.C. & D. funds are budgeted during fiscal year 1982 for:	
Basic operating assistance	745,711
R.C. & D. planning	93,200
R.C. & D. measure assistance:	
Financial	593,000
Technical	308,889
Total	1,740,000
The following amount of R.C. & D. funds would be a realistic R.C. & D. budget projection for New England during fiscal year 1983 for:	
Basic operating assistance	1,423,220
R.C. & D. planning	203,100
R.C. & D. measure assistance:	
Financial	2,122,000
Technical	556,200
Total	4,304,520

THE WESTERN R.C. & D. ASSOCIATION

Senator ABDNOR [presiding]. I would like the record to show that Mr. M. L. Goldhammer, second vice president of the Western R.C. & D. Association, had requested time to appear before the subcommittee today but agreed to submit a statement instead, in recognition of the constraints on the subcommittee's time and the cost of travel to Washington.

My office has made copies of his statement available to each of the members of the subcommittee, and I know that his recommendations for fiscal year 1983 funding for the R.C. & D. program will receive the full attention of the subcommittee.

Without objection, his statement will appear at this point in the record.

[The statement follows:]

PREPARED STATEMENT OF MARK GOLDHAMMER, SECOND VICE PRESIDENT, WESTERN R.C. & D. ASSOCIATION

Dear Committee: It is with some reluctance that I send a written testimony, because I prefer an oral exchange of views and concerns. As fast as budget and political decisions change this year, my views may be outdated before you meet.

First off you need to know who I represent. They are as follows: the Western R.C. & D. Association (covering 15 Western States); the South Dakota Association of R.C. & D.'s (four R.C. & D. areas); the South Dakota Association of Conservation Districts (69 districts); and myself—one small family farmer (who wants to stay a farmer).

The appropriations of Federal funds for Resource, Conservation and Development have never been more useful and positive as they are today.

Because of the economic stress rural communities are going through, it is imperative that the Office of Management and Budget phaseout of the R.C. & D. program be trash-canned forever. I hope your committee votes to override OMB once and for all.

We need to talk R.C. & D. budget proposals. We understand the joint committees have raised the level to $26 million, or $800,000 less than last year. This is commendable considering the $10.4 million OMB proposed for phaseout.

Now let's look at the 1983 and try to be supportive to the program and realistic budgetwise. Our own 51-State questionnaire provided us with realistic R.C. & D. needs as follows:

Basic operations	$11,500,000
R.C. & D. planning	2,600,000
Financial assistance	34,800,000
Technical assistance	9,800,000
Total	58,700,000

This would realistically provide for the 51 States, with authorized R.C. & D. areas, to become fully operational for the first time in many years and for some of the new and recent starts to get moving in a positive direction.

The questionnaire also discloses some very outstanding information in the amount of local non-Federal funds matched to the R.C. & D. Federal funds in 1981, shown as follows:

Non-Federal in-kind contributions	$10,800,000
Non-Federal cash contributions	23,600,000
Total non-Federal in-kind and cash contributions (State and local agencies)	34,400,000

We believe this to be one of the most cost-effective and locally contributive programs going in America today. Local R.C. & D. areas raised $7.6 million, more than the total Federal R.C. & D. budget last year, which was only $26.8 million.

We believe the R.C. & D. program to be the best rural development program going today and that it should receive top recognition for the Reagonomic award of the year.

The projects completed by local R.C. & D. areas are symbolic of local cooperation and determination to solve problems of great concern.

The list of achievements are endless, so I list only a few broad categories: Critical erosion control (units of government cooperating such as county, township, small city, tribal government, and conservation districts); flood control (such as small dams and erosion control structures); irrigation development (small farm groups and small irrigation districts); rural water systems (serving several counties); transportation (technical assistance and coordination); bank stabilization (rivers and lakes—financial and technical assistance); and development of resources (coordinating assistance).

The R.C. & D. councils endeavor to continue assisting local communities in all phases of Resource, Conservation and Development with Federal assistance.

We believe it is the duty of this committee to recommend a minimum of $50 million for R.C. & D. for fiscal year 1983. The local people will do the rest of the work, serving without pay. I don't know how Uncle Sam could spend money more wisely and more prudently.

ASSOCIATION OF AMERICAN MEDICAL COLLEGES, NATIONAL SOCIETY FOR MEDICAL RESEARCH

STATEMENT OF THOMAS KENNEDY, ASSOCIATION OF AMERICAN MEDICAL COLLEGES, NATIONAL SOCIETY FOR MEDICAL RESEARCH

Senator ABDNOR. Our next witness is Dr. Thomas Kennedy.

Dr. Kennedy, we welcome you to the committee. You may proceed in any way you care to.

Dr. KENNEDY. Thank you, Mr. Chairman.

I am Dr. Thomas Kennedy, and currently, I serve as assistant of the Association of American Medical Colleges. I am here today to present the concerns of the constituencies of both these organizations, AAMC and NSMR, as well as several other associations which, collectively, represent the Nation's biological and medical research interests.

At the outset, I would like to thank the committee for the opportunity to discuss the matter I address today as relatively minor in light of the major issues you must confront concerning appropriations for fiscal year 1983. Nevertheless, it is of grave concern to every scientist whose work involves the use of laboratory animals as well as to those individuals who place major importance on the welfare of all animals.

ANIMAL WELFARE ACT

Our concern is the administration's proposal to transfer the primary enforcement of the Animal Welfare Act to States, industry groups, humane societies, and individuals. Since the enactment of the Animal Welfare Act in 1966, this has been—and we believe should continue to be—the responsibility of the U.S. Department of Agriculture's Animal and Plant Health Inspection Service.

This responsibility includes the inspection of research facilities to assure that the standards established by the Animal Welfare Act for the humane treatment of laboratory animals are met and are maintained. These standards include transportation, purchase, sale, handling, housing, feeding, watering, sanitation, ventilation, shelter from extreme weather and temperature, veterinary care, and the reporting of both pain and stress, as well as their alleviation in research involving animals.

INSPECTION FUNCTION OF APHIS

The inspection function by APHIS is of critical importance, especially if federally funded research is to continue to be carried out under standards prescribed by the Government. To transfer this legitimate Federal function to non-Federal organizations would most assuredly result in the adoption of a chaotic and inhomogenous body of regulations to govern federally funded research.

Moreover, there does not appear to be any evidence that any of the entities cited in the administration's proposal are authorized, willing, or capable of assuming these important responsibilities. Furthermore, given the current economic constraints, within which most organizations must currently operate, it is dubious that the necessary funds would be available to assume this obligation.

Although legislation to address animal cruelty has been enacted in all the States, none of these reflect the nature and intent of the Animal Welfare Act. Nine States do have laws that pertain to some parts of the act, usually in fringe areas and with only certain specified animals, but none are applicable to research institutions. Of these nine States, only four are providing funds in fiscal year 1983 for the enforcement of their laws.

Should the responsibility for enforcement be transferred as proposed, a number of questions must be seriously considered:

How will violations be handled in the interim?

How can institutions which operate in several States comply with varied State laws and regulations regarding the care and treatment of laboratory animals?

How would interstate carriers of animals, which APHIS cites as a major source for violations, be monitored?

INSPECTION OF RESEARCH FACILITIES

These are questions of vital concern to every research facility. And without satisfactory answers and the lack of authorization for volunteer organizations or individuals to conduct inspections, it is most improbable that any scientist would open his laboratory doors to unqualified and inexperienced groups or individuals for the purpose of making subjective judgments about the care and treatment of research animals.

The mandate of the Animal Welfare Act to APHIS for the inspection of research facilities is currently being implemented by a cadre of qualified and experienced veterinarians and animal health technicians. To terminate their function would lead to the dismantling of an already effective system that would take many years to recreate in each of the 50 States and within their local jurisdictions. Also lost would be a system for detecting animal abuse.

The record of APHIS shows that 95 percent of the 5,750 research facility inspections conducted during fiscal year 1981 complied with the standards for the humane treatment of laboratory animals. Of the 5 percent that failed to meet these standards, the majority concerned inadequate space, renovation or equipment needs, or improper reporting procedures. There also were some incidents of animal abuse detected and prosecuted by APHIS.

There is no substantial evidence, however, to support allegations of wide-spread animal abuse in research facilities or continued failure to properly enforce Federal regulations governing this area. The fact of the matter is that the individuals responsible for the use of laboratory animals have accepted the spirit of the Animal Welfare Act and have adhered to its requirements with commendable success.

Because of proven effectiveness of APHIS inspection of research facilities and the need for continued uniformity in the enforcement of the animal welfare regulations, it is the united plea by the biomedical research community that this responsibility be continued by the Federal Government.

The cost for this critically important Federal program in the current fiscal year is $4.9 million. This program can be maintained by rejecting the administration's proposal to eliminate $3.4 million of the cost by transferring the primary enforcement responsibilities from APHIS to States, industry groups, humane societies, and individuals.

The enforcement of the Animal Welfare Act not only is a legitimate function of the Federal Government, it is one that is best served by the Federal Government. Any abdication of this responsibility would be opposed by the scientific community, as well as by those who hold a serious regard for the welfare of all animals.

I thank you for this opportunity to present this brief appeal, and I would be happy to respond to any questions you may have.

Senator ABDNOR. Thank you, Dr. Kennedy.

Is your greater concern in the research area or the enforcement area, or both?

Dr. KENNEDY. Well, our greatest concern is that the research not be impeded by inexpert enforcement of the act, and thereby, with interference with research.

Senator ABDNOR. Was there a time when it was left to the States to enforce the act and to do the research? We have had a history of that, I guess, many years ago.

Dr. KENNEDY. The Animal Welfare Act is a shelter act, and I am not quite sure, but my memory is of the very early 1960's. Before that time, there was no systematic attention to and uniform attention to this problem.

Senator ABDNOR. You do not think that it was, at least in the enforcement. Part of the State has the standard of the State and requires States to meet that.

Dr. KENNEDY. The State laws that currently exist do not pertain particularly to research and research institutions.

Senator ABDNOR. So it is really the research that disturbs you most of all about that?

Dr. KENNEDY. That is correct.

Senator ABDNOR. Thank you very much.

NEW YORK STATE DEPARTMENT OF AGRICULTURE

STATEMENT OF JONATHAN NEWKIRK, EXECUTIVE ASSISTANT, NEW YORK STATE DEPARTMENT OF AGRICULTURE

ACCOMPANIED BY:

ED JONES, CORNELL UNIVERSITY
RICHARD CAREY, LONG ISLAND AGRICULTURAL INDUSTRY
WALTER BROWN, NEW YORK STATE REGULATORY COMMISSION

Senator ABDNOR. Our next witness is Jonathan Newkirk, executive assistant, New York State Department of Agriculture.

We welcome you to the committee, and would ask you to introduce your colleagues.

Mr. NEWKIRK. Thank you. I will introduce them in just a minute.

First, let me say that Commissioner Barber came down with the grip over the weekend, so he could not be here himself.

Let me say that from New York State there are, I guess, two things I wish to say—one sort of facetiously, and one very seriously which we wanted to bring before the committee.

The first is that New York is an agricultural State, and agriculture is our State's single largest industry, and there is much more——

Senator ABDNOR. Excuse me, you say it is an agricultural State?

Mr. NEWKIRK. Yes, sir; it is. That is a fact that most people do not recognize. We lead the country in a number of crops, and it is a very key part of our economy.

GOLDEN NEMATODE

The second issue we would like to talk about in more detail and much more seriously, is concerning the golden nematode, which is a parasite pest, and while we have the distinction of being the only State where that pest is presently found, it has nationwide implications. We are interested in the United States Department of Agriculture's continuation in the participation of this program for the golden nematode control program, because we feel that is necessary to prevent the spread of that pest, and because of the Federal guarantee which is in place with that control program. If that is lifted, we have strong indications that it will have severe marketing implications for about 400 million dollars' worth of New York products.

The program presently costs the Federal Government a little over $1 million. We are here to request that amount be continued in the fiscal year 1983 budget.

Now, we have submitted testimony here——

Senator ABDNOR. Your entire statement will be placed in the record, I can assure you of that.

Mr. NEWKIRK. Thank you.

INTRODUCTION OF COLLEAGUES

Let me introduce those with me. At my far left is Ed Jones from Cornell University.

On my right is Richard Carey, who has been involved in the marketing of potatoes from Long Island for over 20 years, but who is recently retired, and is here representing the agriculture industry on the island.

Then to my right is Walter Brown, in charge of the regulatory activities of the State of New York and the golden nematode.

Professor Jones will now say a few words.

STATEMENT OF DR. JONES

Dr. JONES. Mr. Chairman and members of the committee, the golden nematode is without question the most potentially dangerous pest for potatoes in the United States. It is a difficult pest to control. In contrast to potato growers in other parts of the world, our growers in the United States are currently in a good position. For the past 40 years population densities of this nematode have been kept extremely low. Only one race has been found, and most importantly, potato growers in the United States have not experienced yield losses after full measures were initiated.

An effort between the Federal and New York agencies has been responsible for this successful program. If this program continues, it should be possible to keep the populations below crop damaging levels or lower until a number of varieties become available.

Today, we know biological control through the use of varieties is clearly the best way to go. It is the most effective and economical means of control, and it also eliminates the environmental risk associated with chemicals.

However, we need more varieties to meet specific requirements and resistance to other diseases that are required for wider acceptance. The research program USDA gave us is not merely a program that benefits New York State, but we are currently getting requests from other States, as well as Canada, Europe, and as far away as New Zealand. I hope it will not be found in other States. It is found in Canada and Mexico.

Historically, it has taken about 25 years to build up to sufficient levels to be detected. In 1978 the Cornell farm grew only one variety under contract for the New York Foundation of Seed Growers.

By the opening of the new Henry Ely Laboratory in 1979 and development of new technology, we took a big step forward. This spring we will be selling six varieties under contract and five more for evaluation. By 1983 we will have 10 more ready for release. Forty years of efforts are bearing fruit.

Current evaluations indicate that the 1985 APHIS goal is within reach if funding remains at the present level. We just now are getting on top of the problem.

I would like to State my conviction that termination of this program by APHIS would be very shortsighted; with continued support, I am confident that the use of varieties will reduce cost to governmental agencies by reducing the usage of chemicals, and also reduce but not eliminate the need for regulatory efforts. We must have combined efforts to keep ahead of this pest.

At this time I would like to thank you for allowing me to testify. On behalf of Cornell University, I wish to thank you for the support that you and your committee have given to agriculture.

Senator ABDNOR. Thank you, Dr. Jones. Everyone knows the part Cornell plays in this area of research.

Mr. NEWKIRK. Mr. Brown.

STATEMENT OF MR. BROWN

Mr. BROWN. Mr. Chairman, I am Walter Brown; I am assistant director of the division of plant industry for the New York State Department of Agriculture.

The major section of my duties is the overall supervision of the New York golden nematode program. I have been an officer over 20 years and supervised the enforcement of New York's golden nematode for 14 years. It is a difficult program to work with and discouraging.

At the time of my involvement, our quarantine system was there, but was viewed by farmers as a major interference with normal marketing practices. Lately with the advent and increase of the golden nematode, there has been a market reduction in the amount of land use found infested and new lands being regulated. However, there is light at the end of the tunnel.

When notice was given of the proposed termination of funding this program, a number of States notified us of their intention to put on guarantees. If this occurs, we will be mandated to meet varying requirements to sell our crops out of New York State. Our life is in danger of being extinguished. This past week I attended a meeting, and one of the major topics was proposed cancellation of Federal agricultural quarantine programs, including the golden nematode. Presented was a statement by an official with the United States Department of Agriculture, that was an excellent presentation of our views as well as his own.

I would like to read a portion of it to you at this time: "The fate of the golden nematode program in 1982 is precarious, as you may know. In 1983 it will cease to be a Federal responsibility if the quarantine is removed, and the reason is difficult to comprehend since we have in sight of achieving our program goal, which is to reduce the population of the golden nematode and host crop lands by 1988. This was established in 1980. We believe the goal can be achieved due to the cooperative efforts of the research and development of the existing potato varieties."

I feel it would be a great setback to the State and to the potato industry if this did not happen. I remain optimistic that funds will be restored for this.

Thank you very much.

Senator ABDNOR. Thank you, Mr. Brown.

Mr. NEWKIRK. And finally, this is Mr. Carey, representing the industry.

STATEMENT OF MR. CAREY

Mr. CAREY. Mr. Chairman, I am Richard Carey, and I represent a committee of growers and shippers appointed by the potato service, Lionel Farm Bureau, and Agricultural Marketing Association.

We also have the support of the directors of the farm bureau and the Long Island association. We respectfully need your support for the USDA budget for continuation of the golden nematode program.

Long Island did experience one disaster already this year. We had approximately 4,000 acres, or about 20 percent of our crop in the ground when the blizzard of 1982 hit. The temperatures dropped to 15 below zero, and we froze some seed. Some growers replanted; some hoped they only lost 20 percent and are taking their chances.

But this disaster is mild compared to what would happen if the Federal guarantee is not in place. The marketing of any fresh food product is most sophisticated. It is a process which dates back many years to develop and has large efforts to maintain your markets. If the other States place embargoes on our potatoes, it would be a disaster for agriculture for Long Island and upstate crop farmers.

I was involved when we lost the Cuban potato to markets when Castro came to power. That was a small volume. But it took our company 4 years of concentrated effort to regain this loss in volume. We hope you will restore the funds so we may work toward resolving this problem.

We have had progress. As the other gentleman said, we see success in the very near future. We will file with you a more complete report of our position.

Thank you for this opportunity and the support we have had from this committee in the past.

Senator ABDNOR. What are we talking about, $1 million?

Mr. NEWKIRK. Yes.

Senator ABDNOR. Is this unique to potatoes, or are there other vegetable crops involved?

Mr. NEWKIRK. It affects potatoes, tomatoes, and eggplant. Those are the three main host crops. The problem with controlling the golden nematode is that it goes into the stage and gets carried off with the soil, so that any root crop coming from an area where the nematode has been known to exist is subject to a quarantine. We have a $100-million nursery industry on Long Island, and that will be regulated because it has soil along with it, even though the nematode does not affect it.

Senator ABDNOR. Do some of these funds go for research?

Mr. NEWKIRK. Yes.

Senator ABDNOR. Does the college itself work on research?

Mr. NEWKIRK. Yes, it is a cooperative program. The State puts in approximately, I think it is $70,000, and Cornell University puts about $170,000 into research out of their various research dollars; in addition to that, APHIS and SCA also support the research for the development of these recent varieties; so we are combining dollars plus the industry itself contributes dollars.

Senator ABDNOR. Is there participation on the part of the industry itself?

Mr. NEWKIRK. Yes, there is. The potato producers in the State of New York contribute hard cash each year for this program.

Senator ABDNOR. Who benefits in the sale of varieties? There must be some gain to that when you come up with a new type of resistant seed.

Mr. NEWKIRK. Well, it goes into the commercial seed production process, and any of the seed producers——

Senator ABDNOR. Do the seed producers participate in this too? In my State of South Dakota, I know the seed people do not do too badly, and I wonder if they likewise contribute?

Mr. JONES. In the potato industry we are dealing with production, and there is not as much market for seed potato growers as those growing table stock. In fact, some seed growers do not get any more money than the table stock.

Mr. NEWKIRK. But they have participated in the program. One of the problems we had early on was that a decision had been made several years ago that the nematode varieties was the way to control it, because the resistant varieties reduced the population for various physiological reasons.

One of the problems early on when we only had a few varieties was getting grower and buyer acceptance to varieties that were different from what the farmers had produced for a long time. Some required different cultural practices.

One of the reasons we see light at the end of the tunnel is that we have accelerated our research, and we have new varieties coming on the market and more about to enter the market. The growers are having substantial successes with the varieties, not only in terms of cultural practices, but also in terms of acceptance at the marketplace.

All of this is the reason we think that by 1988 we are going to be able to see a significant Federal and State reduction in dollars in this program, because everything is kind of built and we are at a place that if we pull the bottom out from under it, we may not be able to reach our producer goal.

Senator ABDNOR. Gentlemen, thank you very much for your testimony here today.

[The statements follow:]

PREPARED STATEMENT OF J. ROGER BARBER

COMMISSIONER

NEW YORK STATE DEPARTMENT OF AGRICULTURE AND MARKETS

I appreciate the opportunity to address this Committee and request this Committee to maintain funding of the Golden Nematode Control Program along with other animal disease and plant pest control programs carried out by the Animal and Plant Health Inspection Service. We in New York, along with state departments of agriculture in the other 49 states, are concerned with a number of proposed reductions or total program eliminations such as brucellosis, witchweed, fire ant, grasshopper, noxious weeds, citrus black fly, gypsy moth, multi-flora rose. Without U.S.D.A. involvement, the gains made in protecting the nation's food supply from these plant and animal diseases will soon be in jeopardy.

As recently as March 9, the member states of the National Association of State Departments of Agriculture adopted a resolution, without dissent, requesting that all APHIS control programs within the U.S.D.A. budget be funded at last year's level with no single program receiving a cut of over 10 percent from last year's level.

If any one of the proposed programs targeted for elimination would result in the plant pest or animal disease getting out of control, the financial implications to growers and to government would be substantial.

With the exception of brucellosis, the dollars associated with these control programs is relatively small. Therefore, it is fair to assume that a state the size of New York would pick up the Federal share of the cost of the Golden Nematode program. There are several reasons why I believe this assumption is not only inappropriate, but the risks to our farmers and the U.S. potato industry in this transition could be disastrous.

Several years ago the cooperating agencies--that is, APHIS, the New York State Department of Agriculture and Markets and the Agriculture and Life Sciences College at Cornell University--made program decisions based upon sound fundamental research at Cornell which led both State and Federal agencies to believe that by 1988 both State and Federal involvement in the Golden Nematode Control Program would be substantially reduced. With the requirement already in place that all affected acres in the quarantined area be planted to resistant varieties by 1988, Golden Nematode populations would be so reduced the risk of spread would be minimal. With the fullest cooperation of the Cornell Foundation Potato Seed Farm and the New York State Certified Seed Growers, we are now able to supply the quantity of nematode resistant varieties to meet this schedule.

The State and individually affected growers have, over the last few years, picked up an increasing percentage of the costs associated with the program. My point here is that a program and set of goals were established which we are following. And as my colleague Mr. Jones from Cornell will testify to shortly, we are right on the threshold of being able to provide the numbers of varieties necessary to meet all of the marketing conditions so that our farmers can remain economically viable.

The Golden Nematode Program, however, is a carrot and stick program. The carrot is that the State and Federal governments pick up the cost associated with fumigation and other activities associated with Golden Nematode infested fields. This has resulted in no loss or imperceivable production losses to potato production by the Golden Nematode. The Survey and Control Program discovers the nematode and controls it before it reaches levels which cause production losses. The stick is both the State and Federal quarantines which require growers who have had infested fields to meet very stringent requirements concerning the percentage of Golden Nematode resistant varieties that they must plant (this increases every year as seed and varieties are available) and how their product must be processed to go into the marketing channels. It is also this latter aspect of the program that has allowed New York potatoes and other root crops, including over $100 million nursery stock industry, to continue participating in interstate and foreign commerce. The withdrawal of the Federal government from the program first off threatens the ability to meet the 1988 goal because of the disruption in the program and, more importantly, it threatens the ability of New York farmers to market effectively and efficiently.

Because the Golden Nematode is such a feared plant pest and is recognized as being extremely difficult to control, several other states have already notified us that they intend to place external embargoes upon any New York products which might carry the nematode. This includes all root crops, nursery stock, and any crop such as straw that might carry soil. These products have an on-the-farm value of over $400 million in New York State. Additionally, almost every potato producing country in the world has very stringent requirements that restrict the importation of Irish potatoes or other potential nematode-carrying products. Without the United States government involvement in the program, even if the State of New York were to operate the same program, it is questionable if foreign governments would recognize a solely state-operated program and allow our products to be imported into their countries. The presence of the Federal quarantine and inspection activities is a must for the continued marketing of New York's products. Without it, not only are the legal barriers to states affecting embargoes eliminated, it would become necessary for New York to negotiate with each state individually to meet a number of different requirements. Even if we were to eventually meet those requirements, there is bound to be tremendous market disruptions in the transition.

If in the transition a mistake were made and the nematode were to spread to other states, the immediate reaction against New York products would be substantial. But more importantly, the cost to the rest of the nation's potato industry could be substantial. The Federal government is not infallible, but it is important that we maintain the confidence of the cooperative program that we have developed. In doing so, we can meet our 1988 goal by reducing the Golden Nematode population to the point where serious program reductions can be made.

The question will probably be asked as to why we don't require all of the growers this year to plant resistant varieties. There is a very simple answer to that. There is not enough seed stock nor are there enough varieties to meet the various cultural and marketing conditions needed by New York growers. The only way to require all areas suspected of having the Golden Nematode in New York to have resistant varieties planted would be to severely reduce the numbers of acres of potatoes being planted. While this is an acceptable alternative in a number of other countries, it is totally unnecessary given the threshold of research and the numbers of new varieties which are being developed at Cornell University. But, it does take several years once a variety is developed to have it in the numbers in which it can be placed in commercial production. We ask your assistance in helping us to see through to a positive conclusion the 40 plus years of effort in controlling this very serious plant pest.

I have attached to this testimony an APHIS newsletter prepared prior to the release of the President's budget proposal which outlines the program and the nematode resistant varieties presently available for use. Since sound research has been the cornerstone of this program from the beginning, I have asked Professor Edward Jones, PhD, Professor of Plant Pathology at Cornell University, who is responsible for the New York Foundation Seed Program and the research programs developing the nematode resistant varieties, to outline Cornell's participation in this program and his thoughts on the future.

APHIS Facts

United States
Department of
Agriculture

Animal and
Plant Health
Inspection
Service

Plant Protection
and Quarantine

Washington, D.C.
20250

FEB 8 1982

THE GOLDEN NEMATODE

The golden nematode is a tiny but destructive eelworm that bores into roots of Irish potatoes. A heavy infestation can lower yields so that a farmer may harvest fewer potatoes than he put in.

Infested U.S. areas include only Long Island and parts of upstate New York, but the golden nematode is also found throughout the Old World and South America, in Newfoundland and part of Vancouver Island in Canada, and in parts of Mexico. The pest is easily spread, and although State and Federal regulations have kept it confined here, as far as is known, new infestations are hard to detect and could be present.

To protect themselves, U.S. potato growers should become familiar with the nematode's life cycle and appearance; the damage it does; and how they can cooperate with State and Federal officials to fight it.

LIFE CYCLE AND APPEARANCE

The golden nematode has three stages in its life cycle: egg, larva, and adult.

The eggs are enclosed in protective, rounded cysts that are the swollen bodies of the females. They are resistant to drying out and impervious to water and many chemicals. Each is smaller than a pinhead and may contain several hundred eggs and larvae. As a cyst matures, it changes in color from pale yellow to gold to deep bronze.

The eggs remain dormant in a cyst until stimulated to hatch by a chemical given off by roots of host plants. The larvae —tiny white worms—then enter the roots and feed. Later, eggs inside the females are fertilized, and the females expand into cyst shape and die. Some of the eggs inside will remain viable in the soil for as long as 15 to 20 years, in the absence of hosts.

Poor plant growth, particularly at low spots, is the first common sign of infestation. The plants are stunted, wilt in dry weather, and die early. Roots develop poorly. In time, affected spots enlarge and new ones appear. Without control measures, the entire field may eventually be affected.

If a single cyst gets into a potato field—on a grower's shoes, on infested potatoes used for seed, or on planting or harvesting equipment—it can take at least seven years for damage to show up. All this time, however, the nematodes have been multiplying underground and in the meantime may have been spread to additional fields.

STATE AND FEDERAL PROGRAMS

The U.S. Department of Agriculture (USDA) and New York State agencies cooperate in an organized effort to prevent spread of the golden nematode and reduce the infestation level. Program activities include survey, control, regulation, and development of resistant varieties, conducted by USDA's Animal and Plant Health Inspection Service (APHIS), Agricultural Research Service (ARS), the New York Department of Agriculture and Markets, Cornell University, and others.

SURVEY AND CONTROL

Soil samples from fields in or near infested areas are collected systematically and examined for cysts. Soil from some other areas is also analyzed periodically.

Infested fields are fumigated and kept out of production for an entire growing season. Thereafter, resistant varieties must be grown on at least part of the land--50 percent in 1982, rising to 60 percent in 1983, 80 percent in 1984, and 100 percent in 1985. Susceptible varieties must be treated with nematicides.

REGULATORY PROGRAMS

The golden nematode could enter the country on infested foreign shipments. APHIS officers at ports of entry look for it in soil, burlap bags, packing straw, and other articles which could harbor it.

Inside the country, State and APHIS officers enforce regulations to prevent spread of the infestation in New York through movement of soil, potatoes, nursery stock, straw, sod, or water drained from infested fields.

RESISTANT VARIETIES

State, Federal, and industrial plant breeders and other scientists are working to increase the number and availability of resistant potato varieties. Several fresh market and processing varieties are now available and others are under development. All are of the type known as round white.

Atlantic is an all-purpose midseason variety adapted to most of the Northeast (except Long Island), the Southeast, and the Midwest, including the Red River Valley. The vine is exceptionally lush. It is resistant to net necrosis and common late blight, tolerant to scab, immune to aphid-spread and mechanically-spread viruses, and drought-tolerant.

Belchip matures late but is similar to Atlantic in appearance and disease resistance. It may also be grown on Long Island, and early tests indicate it may do well on the West Coast.

Hudson, a midseason variety, is adapted to most eastern potato-growing areas. It looks similar to the [illegible]ly popular Katahdin but has larger tubers and darkens less after cooking. It was developed especially for the fresh market to replace Katahdin, particularly in the Northeast, because of its improved yields and golden nematode resistance. Hudson has an exceptionally lush vine and should be planted at closer intervals than most other varieties to prevent oversize tubers and hollow heart.

Wauseon, a mid- to late-season variety, is resistant to common scab, common races of late blight, latent and mild mosaic and net necrosis. The tubers are round to oblong and slightly flattened. Wauseon chips well immediately after harvest and also after storage and reconditioning. It is particularly well suited to Long Island and some upstate New York muck soil areas.

Rosa was released to growers in 1980. A midseason variety that chips well, it is resistant to verticillium wilt and early blight. It is expected to do well on Long Island as well as upstate.

Chipbelle, released to growers in 1981, is a late mid-season variety that is suited to many East Coast and Midwest areas. Its high solids content makes it good for chipping, and it produces a lighter-colored chip than most other varieties. It may be processed without reconditioning after cold storage. Chipbelle is resistant to Virus A and late blight and tolerant to several other diseases.

Two more varieties—Campbell 11 and Campbell 13--are available in limited quantities.

Intensive development work is also underway on resistant russet varieties—long, baking types.

Growers can help by trying out resistant varieties, even where this is not required. Report any unusual damage to a county Extension agent or State Extension potato specialist. Get more information from them, or write to: USDA, APHIS, Information Division, Room 1143 South Building, Washington, DC 20250.

January 1982

Newsday
THE LONG ISLAND NEWSPAPER • NASSAU EDITION
MARCH 20, 1982

Editorials

Dealing With an Interstate Pest

By eliminating a relatively small pest-control program, the Reagan administration threatens to disrupt New York's agricultural economy. The state's congressional delegation mustn't let this happen.

The proposed federal budget cut is particularly threatening to Long Island because eastern Suffolk is one of the centers of the $1-million-a-year federal program directed against the golden nematode, a pest that attacks the roots of potatoes and other plants. Three upstate counties are also covered by the federal quarantine, which is designed to make certain no produce carrying contaminated soil leaves the state.

So long as the quarantine is under federal management, Long Island nurseries and farmers are able to sell in other states. But if the Department of Agriculture is no longer managing the quarantine, other states will be free to set their own rules, and some of them might decide to bar New York produce.

The Reagan budget cutters propose to stop paying for the program in October. Some states have already informed New York's Department of Agriculture and Markets that products from infested areas will be barred. Pennsylvania is one, and it's a center for canning small Long Island potatoes and making chips out of upstate spuds.

This kind of program is not easily managed by a state government—and not only because of the cost. New York could probably find the $1 million for such an important project, but without a federal quarantine, safeguards against nematode infestation would have to be worked out state by state. That's bound to be both more costly and more frustrating.

Agricultural trade among the states is clearly interstate commerce. This quarantine demands federal management.

United States
Department of
Agriculture

Animal and
Plant Health
Inspection Service

Washington, DC
20250

FOR INFORMATION

February 11, 1982
DA #82-4

Subject: Fiscal Year 1983 Budget

To : STATE AND TERRITORY AGRICULTURAL REGULATORY OFFICIALS

On February 8, 1982, the President sent to the Congress his fiscal year 1983 budget. We are enclosing a copy of the budget for the Animal and Plant Health Inspection Service for your information.

You will note that no funding is requested for golden nematode, grasshopper, miscellaneous plant pests, noxious weeds, and witchweed. Minimal funding is requested for gypsy moth and pink bollworm. Because of the potential impact this may have on your regulatory activities and our concern for the time involved in your planning process, we wish to advise you that we are initiating procedures to revoke the domestic quarantines on golden nematode, witchweed, pink bollworm, and gypsy moth. We will be publishing a proposal for this action in the Federal Register by April 1, 1982. The contact person for this action will be Mr. Tom Lanier, Chief Staff Officer, Regulatory Support Staff, PPQ, APHIS, USDA, Room 635, Federal Building, 6505 Belcrest Road, Hyattsville, Maryland 20782.

Our hearings before the House and Senate Appropriations Subcommittes are scheduled for March. We will keep you apprised of developments on the fiscal year 1983 budget.

Sincerely,

William F. Helms
Acting Deputy Administrator
Plant Protection and Quarantine

JOINT PREPARED STATEMENT

Edward D. Jones, Martin B. Harrison, William F. Mai, Lester C. Peterson,
Robert L. Plaisted and H. David Thurston

GOLDEN NEMATODE RESEARCH AT CORNELL UNIVERSITY
1946-1982

The golden nematode (GN) was first discovered on Long Island, New York in 1941, but is believed to have been introduced some 20 years earlier on military equipment returning from Europe after World War I. A federal quarantine was invoked in 1944. This quarantine, which involved survey for detection of infestation, fumigation of infested land, and regulation of the movement of infested equipment and produce, prevented the spread of GN for 26 years. Unfortunately, in 1967 an infestation was found in Steuben County, New York and later (1974-76) infestations were found in Wayne and Orleans Counties. It is likely that these introductions were made prior to the initiation of the regulatory program.

From the onset of the GN problem, regulatory and research agencies have joined forces in seeking a solution. The New York State Department of Agriculture and Markets and USDA-APHIS handle the regulatory aspects and Cornell University and USDA-ARS provide research backup to update and strengthen the regulatory effort. Information generated by research agencies is reviewed annually and incorporated into the quarantine and regulatory effort when shown to be more effective. Examples of research information that have been incorporated into the regulatory effort include fumigation of land and equipment, use of systemic chemicals, and use of resistant varieties.

Summary of Major Cornell Research Contributions to GN Program
1946-1968

1. Survey Procedures

Methods for determining the presence of GN in grower's fields were evaluated and compared. The primary methods evaluated were: 1) collecting and extracting nematodes from soil samples, 2) examining potato roots growing in the field, and 3) collecting and extracting nematodes from soil and debris collected from potato graders (in cooperation with USDA scientists). Soil sampling proved to be far superior to root examinations or grader sampling (soil-debris) for discovery at low populations.

2. Nematicide treatments to reduce GN populations in soil to below the detection level

Numerous chemicals were tested and methods, rates, and frequencies of application were compared. Influence on GN populations and potato yields were determined (in cooperation with USDA scientists). This study revealed that DD, Telone and Vorlex were the most effective nematicide treatments. They are still being used.

3. Determining the host range of GN

Hundreds of cultivated crops and weeds were tested for susceptibility to GN. Only species belonging to the plant family Solanaceae were found to be susceptible. Potatoes, tomatoes and to a lesser extent, eggplants, were the susceptible commercial crops. All commercial varieties of potatoes and tomatoes tested were susceptible. Because of this study, cabbage, onion, sweet corn, and other non-susceptible vegetable crops are allowed to move freely in commerce.

4. Killing GN on farm machinery and containers, such as burlap bags.

A methyl bromide treatment for killing 100% of the golden nematodes on trucks, farm machinery, potato crates, etc. was developed. Because of the effectiveness of the methyl bromide treatment, growers were able to re-use their equipment rather than having to replace it.

5. Developing varieties resistant to GN

All commercial potato varieties tested were susceptible to GN; therefore, beginning as early as 1947, wild potatoes from various parts of the world were collected and their resistance to GN determined. Several methods of testing for resistance to GN were compared. A method for testing large numbers of wild varieties and seedling hybrids was developed. Using this method in a cooperative effort with Cornell plant breeders, as many as 30,000 seedlings per year were tested for resistance.

6. Control of GN by cultural practices

The influence of crop rotation and other cultural practices, such as irrigation, planting date, trap cropping, and early and late varieties on

GN populations and potato yields was determined in a number of microplot experiments. Data obtained in this study helped growers and administrators to select the best control procedures.

7. Integrated control

In large field microplot experiments the effect of using a number of combinations of control procedures on GN populations and potato yields was studied. A total of 500 microplots were involved in experimental work at the GN Research Laboratory on Long Island.

8. Effectiveness of the potato - root hatching factor in controlling GN

Large numbers of golden nematodes hatch from eggs enclosed in cysts in the presence of potato root diffusate. Considerable research was conducted to find practical ways to apply this diffusate to infested soil to cause golden nematodes to hatch and thus leave the protection afforded by egg shells and cysts. Encysted golden nematodes remain alive in the absence of food for up to 17 years while hatched nematodes survive for only a few months free in the soil. This control procedure was shown to be less practical than growing resistant varieties or applying nematicides because the hatching factor(s) breaks down rapidly and thus would have to be applied frequently to cause only a partial hatch.

9. GN levels required to reduce potato yields

The relationship between numbers of golden nematodes and potato yields was determined in a number of field, microplot, and greenhouse experiments. This information was needed in evaluating the success of any control procedure.

10. Nematode species determination in United States

Extensive research was conducted to determine the species of GN present in the United States. Populations representing all the various locations where the nematode was found were examined and grown on test plants. Conclusive evidence showed that only one species and one race (race A) of the nematode was present in New York State. These findings provided information useful to the breeding of resistant potatoes suitable for different use purposes and different growing conditions. The continuation of regulatory quarantine activities is important to prevent the introduction of other potato nematode species which would increase the difficulty of resistance breeding.

11. Resistantce breaking bio-type research

Twelve years of research were devoted to an investigation of the possibility of the development of resistance breaking bio-types when resistant potato varieties are grown in nematode infested soil. This research forecast the successful long term use of resistant potato varieties by showing the effect of such varieties on the nematode population. However, the possibility of the development of resistance breaking in the nematode is greater with high nematode populations, therefore continued regulatory activity is essential.

12. Water soluble, systemic nematicides

Research and development of the use of the new class of nematicides, the water soluble, nonphytotoxic, plant-systemic nematicides (oxamyl, aldicarb) was accomplished. This new group of pesticides can be grower applied thereby reducing treatment costs to governmental agencies. Grower use of such materials on a preventive basis reduces spread and development of nematode populations below the discovery level.

1969-1982

(USDA-ARS at Cornell University)

1. Economical chemical control of GN

A. Dosage level of organic phosphates and oxime carbamates that results in the most consistent control of GN without harmful residues in plant products was determined to be 5 lbs active ingredient per acre.

B. Studies on method of application of these nematicides indicate that more consistent control resulted when they were applied to the soil as opposed to applying them to foliage or seed.

C. Studies on time of application and placement of these nematicides in soil indicate that the best control resulted when they were applied broadcast before planting and incorporated with a disc. The next best application method is in the row at time of planting. Post-plant applications of these nematicides to soil are not effective in controlling GN. There is some evidence that post plant applications to the foliage provide effective control. At best, these nematicides prevent GN population increase. They do not reduce population densities.

2. Resistant varieties

Research with resistant varieties has shown that they reduce GN densities up to 90% in a single season. These effects on population densities are more dramatic when the initial density is high (near discovery level).

3. Non-host crops

Research with non-host crops indicate that they reduce nematode densities 30-40% in a single season. There is some evidence that certain non-host crops are more effective than others. This possibility is being researched.

4. Biological control

A fungus that we isolated from the South American Andes was found to parasitize over 50% of GN eggs and is currently being studied.

5. Physical stress

Cysts of GN were found to be more sensitive to physical stress (heat) in wet conditions than in dry conditions. Solarization with clear plastic resulted in 100% kill of GN in the top 5 cm of moist soil and reduced survival as deep as 15 cm. Solarization had little effect on dry cysts in dry soil.

6. Nematode management systems

Systems have been developed using resistant varieties, non-host crops, and nematicides that manage GN densities at levels where spread is unlikely. These systems are being adapted as a regulatory procedure for use on infested and exposed land.

7. Widespread useage of resistance

A program was initiated in 1977 to incorporate resistance into the major breeding programs of the United States. We now cooperate with potato breeding programs at Cornell University, USDA-Beltsville, USDA-Idaho, Pennsylvania State University, University of Maine, Frito-Lay, Inc., Agriculture Canada and New Brunswick. In the near future we will cooperate with the Universities of Minnesota, Wisconsin and North Dakota. All of these breeding programs have GN resistance in their breeding material.

8. Resistance to other races of potato cyst nematodes

Resistance to the two major races of *Globodera pallida* has been identified. These resistance factors have been combined with resistance to race A of *G.*

rostochiensis into a tetraploid breeding population.

9. Hatching of GN

A. The ability of encysted eggs to hatch without a stimulant was found to be genetically controlled.

B. Physiological age of the host was found to influence hatching of encysted eggs. More juveniles emerged from cysts reared on early maturing varieties.

C. Dormancy of cysts was found to be environmentally induced.

10. Host parasite relations

Resistance was found to be manifested by a hypersensitive reaction of root cells. The cells die immediately upon nematode invasion resulting in death of the nematodes. Over 90% of juveniles entering plant roots do so within three weeks after plant emergence, making short-term (3 weeks) growth of resistant varieties a trap cropping possibility.

11. Spread of GN

A. Spread of GN cysts on potato tubers was detected at population densities below the detection level.

B. Spread of cysts on equipment was detected at densities far below detection level and below densities that they spread on tubers.

12. Monitoring GN population

All new discoveries of GN are studied to determine the race of the nematode involved. APHIS officials submit cyst samples from new discoveries to our laboratory for race determinations. So far only race A of G. rostochiensis has been found.

Developing New Germplasm and GN Resistant Varieties

Soon after the discovery and identification of GN on Long Island, a survey was begun of varieties and related species of potatoes for resistance. None of the existing varieties were resistant. Resistance was found in two tuber bearing diploids, Solanum vernei and S. sucrense. Coincidental with this effort was similar work in England. Using the Commonwealth Potato Collection of species, especially S. tuberosum spp. andigena, they identified resistance in two accessions. Seeds of one of these, CPC 1673, was obtained by plant scientists at Cornell and the resistance was verified on Long Island. There was some initial conjecture about the mode of resistance, but soon it was substantiated that the resistance was produced by the action of a single dominant gene. The ease of working with this single gene and the greater relative adaptation of the andigena clone induced breeders in Europe and United States to use it for breeding for GN resistance.

In the early 1950's, Cornell potato breeders began the slow process of backcrossing resistant hybrids to standard varieties in order to recover the maturity, yield, appearance and resistance to other diseases needed for a new variety to be accepted. The early generations were characteristically late, with a large set of small, deep-eyed tubers. The resources of the program were then such that the number of new seedlings started each year was 10,000-15,000. In 1956, the breeding program was increased to about 25,000 seedlings. At that time the key role of resistant varieties was not generally accepted, so the total effort was not dedicated to nematode resistance, though it was a major part.

This initial effort resulted in the release of the variety Peconic in 1966. This release along with the variety Wauseon from the USDA gave credibility and advertisement to the concept of being able to produce acceptable varieties. Information was being accumulated in management trials that resistant varieties would be a major component in reducing cyst numbers. On this basis, by 1970 almost no seedlings were saved if they were known to be GN susceptible. The entire Cornell potato breeding program focused upon nematode resistance. Both Peconic and Wauseon failed to gain widespread acceptance by the growers because of cultural shortcomings.

Hudson was the next release, coming in 1972. Grown under commercial conditions, it displayed problems that were not evident in plot trials. The early reaction from growers was very critical and it appeared this variety would also be rejected. The requirement for growing a resistant variety on a portion of the regulated acreage and the availability of good quality seed kept the variety alive. During this stage, the merits of the variety such as yield, weed control and keeping quality were substantiated and the farmers identified the areas and cultural conditions that would produce a crop with acceptable apparance. This has given the variety at least a limited range of acceptance on Long Island. In 1981, there were

89.3 acres of certified and foundation Hudson seed produced in New York State.

The variety Rosa was released in 1981. After extensive plot tests and farm demonstrations for 2 years, it appeared Rosa could compete with Norchip in the chip industry and might also be acceptable in the tablestock trade. It is too early to forecast the outcome in either market.

In 1976, the breeding program was expanded to 100,000 seedlings in order to increase the chances of producing an acceptable variety. It continues at that level in anticipation of being able to produce a new variety every 2 years.

Accelerating the Development and Release of GN Resistant Potato Varieties

Research conducted in the mid 1970's showed that biological control through the use of resistant varieties reduces the nematode population by as much as 90% in a single season. Resistance combined with other control tactics, i.e., systemic nematicides and non-host crops, has been demonstrated to manage golden nematode densities at levels where spread is unlikely to occur. In conjunction with the Cornell potato breeding program, a well-developed program was already in place to test promising seedlings for resistance to early blight, late blight, Verticillium wilt, scab, leaf roll and potato viruses X and Y. Coincidentally, a tissue culture laboratory and greenhouse were built at the Uihlein Farm of Cornell University at Lake Placid, the official seed potato farm in New York State. This facility, opening in 1979, was privately funded by Henry Uihlein II, and is devoted to the production of disease-free nuclear seed stocks for sale to New York's foundation and certified seed potato growers. It was readily apparent that an interdisciplinary effort within Cornell to accelerate the development and release of GN resistant varieties held the most promise for eventual control of this troublesome pest while still being cost effective. This accelerated program was instituted in 1980 to meet USDA-APHIS's goal of "reducing the population of golden nematode in the soil below the detectable level in host crop land in the United States by the end of 1985."

The tissue culture program at the Henry Uihlein Laboratory, as participants in the accelerated effort, are accepting only GN resistant selections from potato breeding programs. Selections are from several potato breeding programs (Cornell, USDA-Beltsville, Maine, New Brunswick and Campbell Soup Co.). All varieties are subjected to the meristem virus eradication procedures and thoroughly tested for potato pathogens before being increased and sold to foundation seed potato growers as nuclear seed stocks.

In 1981, 38.5% of the contract acreage of the Uihlein Farm of Cornell University was planted to GN resistant varieties, up from 24% in 1980 and 14% in 1979. Of the 14 varieties sold under contract for 1982 planting, 6 are GN resistant, compared to 1 in 1978. An additional 5 promising advance selections will be offered for sale to New York's seed potato industry in 1982 for evaluation and increase. Approximately 64% of the greenhouse capacity was allocated to GN resistant varieties and advanced selections in 1981, up from 53% in 1980. Approximately 10 more advanced GN selections will be ready for sale in 1983. Efforts will continue to offer growers a wider selection of GN resistant varieties if funding remains at the present level.

During the past 5 years, the average annual potato acreage grown in New York State was approximately 45,000 (24,000 Upstate, 21,000 Long Island). As of 1981, approximately 21,500 acres on Long Island have a history of GN infestation and 695 acres in Upstate New York (Orleans, Steuben and Wayne Counties).

If funding is terminated for the accelerated program at Cornell, seedling production will be cut to 20,000 and commensurate reduction of effort would go all the way to sale of GN resistant seed stocks from the Cornell-Uihlein Farm. The USDA-APHIS goal in 1984 would have to, more realistically, be set at the year 2000, if at all, with the probable release of one GN resistant variety every 10 years. The golden nematode may already have spread to other states, but has not yet reached detectable levels. Infestations occur in Mexico as well as in eastern and western Canada. When GN was found in Steuben County in 1967, Canada placed a quarantine against New York which remained in effect for several years before being modified. Other states have indicated that they will place an embargo on New York products (potatoes, onions. sod, greenhouse and nursery stocks) if the current systematic survey and stringent control measures are discontinued. Cash receipts at the farm for the above named products total approximately

$409,000,000 annually; cash value of potatoes alone approximates $90,000,000. If an embargo is invoked, New York will be prohibited from winter testing their certified seed potatoes in Florida, and New York seed growers, regardless of their location, will be prohibited from selling to southern growers for the winter crop.

	Source of funds for the accelerated development and release of golden nematode resistant cultivars				Contributions over and above contract	
	USDA-SEA	USDA-APHIS	NYS Ag. & Mkts.	Cornell CALS	NYS Ag. & Mkts.	Cornell
1980-81	$61,700	$65,000	$28,900	$33,832	$33,717	$160,364
1981-82	$61,700	$79,000	$28,900	$33,832	$33,717	$162,475
1982-83	$61,700	$79,000	$28,900	$33,832	$35,217	$164,650

Summary

In contrast to potato growers in other countries of the world where GN infestations occur, potato growers in the United States are currently in an enviable position. For the past 40 years population densities of this nematode have been kept extremely low, spread has been minimized, only one race has been found and, most important, potato growers in the United States have not experienced yield losses from this nematode once control measures were instituted.

A cooperative effort between Federal and New York State research and regulatory agencies has been responsible for this successful program. If this cooperative program continues, it should be possible to keep the GN populations below crop damaging levels, or lower, until a sufficient number of GN resistant varieties suitable for tablestock, chipping or processing are available for all production areas of the United States.

PREPARED STATEMENT OF DR. RICHARD J. CAREY

CHAIRMAN

COMMITTEE REPRESENTING LONG ISLAND AGRICULTURE

We respectfully urge your support and recommendation to reinstate the funds deleted from the United States Department of Agriculture's Animal and Plant Health Inspection Service (A.P.H.I.S.) budget for continuance of the Federal Golden Nematode Control Program.

We are a committee of growers and shippers appointed by the Potato Advisory Committees of the Cooperative Extension Association of Suffolk County, Long Island Farm Bureau and the Long Island Agricultural Marketing Association (L.I.A.M.A.). We have determined that we must do all possible to insure the participation of the Federal Government through the United States Department of Agriculture to continue this vital program. We also have the support of the Directors of the Long Island Farm Bureau and the Long Island Nurserymen's Association.

All groups definitely feel this Federal control and support is most essential, not only for the survival of our potato, vegetable and nursery industry on Long Island, but also for this industry in New York State and other eastern states.

The Golden Nematode infestation control program has made progress during the past 30 years. It is recognized there have been setbacks and disagreements in the regulations and procedures. This is understandable as when any control program, to be successful, has to enact restrictions on many segments of an industry and through this process learn new methods to cope with the difficult task of curtailing spread of this pest. There are improvements needed in the program. Hopefully, these can be made through more participation with all groups including growers. Yet, over the years there has been much success in the program.

As we evaluate those successes, particularly in the area of the development of Golden Nematode resistant potato varieties and in commercial planting of these resistant varieties the population of Golden Nematodes is greatly reduced. It is possible that during the next six to eight years with greater use of resistant varieties, the necessity for any other controls could be reduced or eliminated. Such possibility, which is substantiated by both the United States Department of Agriculture and New York State College of Agriculture, makes it most difficult to justify discontinuance of this program at this time.

The intense resistant variety breeding program being conducted by the U.S.D.A. and Cornell, in itself, is a tremendous breakthrough. This intense breeding program will result in the releases of an acceptable resistant variety every two years compared to the standard rate of one every ten years. The release of Golden Nematode resistant varieties is of particular importance in all eastern production areas where the Golden Nematode could be a major problem.

There are serious future consequences of removing the Federal Government from the control and quarantine aspects of this program. This could create a very severe hazard to potato production for the following reasons:

(1) The inability of New York State to finance all segments of the research and field surveys; and

(2) The loss of Federal support would bring forth embargoes by individual states to restrict marketing of New York State produce in their respective states. This has far reaching implications in that:

  a. The loss of New York State produce could substantially increase consumer costs; and

  b. The denial of these markets could ruin the potato and other root vegetables and nursery stock business in New York State, a very large and vital industry, representing over 400 million dollars wholesale value.

Furthermore, it is conceivable that such embargoes could bring forth much agitation and possible retaliation and could even deny other states access to the very large consumer market now existing in New York State for agricultural products.

It must also be recognized the abandonment of the federal quarantine and control program could break down past successes of the program which have limited the spread of the Golden Nematode for 40 years. This could mean much greater costs and controls would have to be instituted if, due to elimination of the quarantine controls and resistant variety development, Golden Nematodes were discovered in other states.

In preparing this statement, we have been made aware other New York State organizations have made known that they have similar views on continuing this Federal Golden Nematode Program. We also are aware that statements have been submitted to you in which many more details of the past and future programs have been presented. We, therefore, do not feel we should burden you with more lengthy review of the same subject matter. We fully endorse the position taken and views expressed in the impact statement prepared by J. Roger Barber, New York State Commissioner of Agriculture and Markets.

INDEPENDENT CATTLEMEN'S ASSOCIATION

STATEMENT OF ROY WHEELER, PRESIDENT, INDEPENDENT CATTLEMEN'S ASSOCIATION

Senator ABDNOR. Our next witness is Roy Wheeler of the Independent Cattlemen's Association.

Mr. WHEELER. I am going to hit a few highlights here. I am appearing before you today asking you to cut some of the funds rather than to raise some of the funds as everyone else is.

BRUCELLOSIS PROGRAM

We agree with the President that we have been here for 45 years, and it has not done any good. We think the people that want the program do have a program which is 85 percent effective. If they would give some recommendations of the vaccine and let them have freedom of movement to encourage producers to vaccinate animals, we propose that we have a 6-month evaluation, and that all the animals that are vaccinated will be fully free to move—and that all the animals that are positive will be sent to slaughter.

We think we would have full cooperation from the producers to vaccinate their animals.

Also, we think we have not spent enough money on research. We ask you to earmark the funds for more research. We have pursued a better vaccine. Our association and the University of Idaho have studied the production of a 45–20 vaccine, which is a vaccine that would be administered by the layman—you would not have to have a veterinarian to administer it. An experiment on 60 head of cattle determined that the 45–20 extract has the same effect as the strain 19 vaccine had.

We are proposing another test this summer; the scientist working on the vaccine has since modified the 45–20, and he believes we will have better immunity from this vaccine.

We also think that if we get the Government out of our business, more people would comply with the program. We are interested in controlling the current program. We have little faith in the current vaccination program, since it has been in place 45 years, and we are still about the same level of infection that we were in the beginning.

In our part of the country in Texas, it is almost prohibitive to go along with the program. And I would like to remind you if you study the testimony here today, the people for the program are the ones making a living from it, and we think they are making it from us. So we are definitely asking you to consider the proposals made by the President if at all possible.

I will be happy to answer any questions you have if I could answer them.

Senator ABDNOR. Do you visualize any kind of enforcement on the State level if the President's proposals would go into effect?

Mr. WHEELER. At this time I do see some, Senator.

Senator ABDNOR. Do you see a need for a check of any kind?

Mr. WHEELER. Yes, I see a need for a check. Occasionally, I think market cattle identification—MCI—programs are a good check, but this test and slaughter program, having cattlemen repeatedly work their cattle, I do not feel it is getting the job done. I think we spend money on MCI programs and tell cattlemen, you bring your animals to slaughter and we would like to comply with the MCI and allow us to check the cattle, and we will notify you of my problems. Otherwise we will sell them.

I do not think I need the Government to come out and tell me that I have 20 cows that are not producing. I think I have been in this business long enough to know. When they go through the chute, I can tell if they are not producing.

Senator ABDNOR. I am familiar with that in the areas of my State too.

Thank you very much. Your entire statement will be placed in the record.

Mr. WHEELER. Thank you, Senator.

[The statement follows:]

INDEPENDENT CATTLEMEN'S ASSOCIATION
OF TEXAS, INC.

Prepared Statement of Roy Wheeler, President

Mr. Chairman,

My name is Roy G. Wheeler. I am active in the cattle business as a rancher and market operator.

As President of the Independent Cattlemen's Association of Texas, Inc., I represent thousands of men and women who derive their primary livelihood from ranching. They are concerned that their industry is suffering the effects of over regulation. One example of this over regulation is the Brucellosis Program which we feel has had very little effect on incidence of disease since the program was developed more than 45 years ago.

I appear before this committee today in support of the President's budget reductions for the federal Brucellosis Control Program. Included in the explanation for the President's budget for brucellosis control was the following points which we support and wish to call again to your attention:

1. Federal costs for the program are nearly triple the animal production loss from the disease;

2. Eradication may not be realistically achievable because wild animals carry the disease, the disease can be easily reintroduced and spread, the incidence of the disease has only been reduced slightly although $690 million in federal funds was spent between 1960 and 1981;

3. Over the next 20 years, this change will save over a half a billion dollars for the federal government and an additional $200 million for states and producers.

This last point is vital, because beef cattlemen strongly believe that the federal control program costs them more than the disease. Cattlemen were pleased to read in the President's budget that the effect of the budget reduction would be to, "eliminate an unwarranted intrusion of federal government into the operation of private businesses..."

These words ring true, Mr. Chairman, and we hope this committee will support the budget in this regard.

Mr. Chairman, the federal government has been pursuing a test and slaughter program for more than 45 years and has spent over a billion dollars on program that stresses test, test, test. It has virtually ignored over the years the fact that we have a vaccine that is supposed to provide immunity. It has also ignored, by way of very little research, the fact that we need a better test and a better vaccine.

And, when we speak of money expenditures, gentlemen, we are speaking only of the federal money that has been spent.

It has been estimated that the disease costs the producers $20 million a year. That does not include what it costs the producer to comply with the program.

We are dealing with a disease that had a great deal of human significance in the initial phases of the program.

However, you must understand that this was the late 1930's and early 1940's when unpasteurized milk was being consumed in the United States.

Since very little raw milk is consumed in the United States today and people consuming it have been made aware of the potential brucellosis problem in drinking raw milk, most people do test the animals the milk is produced from.

However, you may hear figures quoted as to how effective the program has been in reducing cases of undulant fever in people. We wonder if the program itself has really had that much effect or is it due to the fact that we drink very little raw milk?

With this in mind, after more than 45 years of this program and not a whole lot to show for it, maybe we should question the reasoning behind treating this disease any differently than other cattle diseases producers are faced with.

Cattle men have been plagued with drouth, low prices and many other problems including diseases in cattle and survived (or maybe they're just hanging on).

We wonder why it is assumed that cattlemen wouldn't handle the brucellosis situation in the same manner if the government wasn't there to compel them to?

We are facing new regulations for the federal Brucellosis Program. We have a situation where it will be almost impossible to sell breeding cattle in much of the United States for anything but slaughter.

The two clean test requirement before sale of these animals and one clean test after purchase will be virtually impossible to comply with in much of the cattle producing country.

Also, the elimination of the co-mingling clause at our livestock markets would almost guarantee that no breeding cattle could be marketed through these channels in a great portion of the cattle producing areas in the country. The area we're concerned about compliance in is southern and southeast portions of the United States. We feel the warm climate, abundant rainfall and the large number of cow/calf operations are the factors which cause the increased incidence of the disease in these states. These environmental conditions cause control of the disease to be much more difficult and eradication almost impossible.

We realize that the members of this committee cannot change the program, but you do have the power to adjust the expenditures for it. We appreciate your action last year in increasing the funds for research.

We are again recommending that a majority of the money now earmarked for eradication should be spent on research for better vaccines and tests. As long as the Federal government has control of the program, the government must also provide reasarch. However, we believe that if these federal regulations were removed, brucellosis would be dealt with in the same manner as other diseases -- private industry would take up the slack and perfect tests and vaccines as necessary. At this time, private industry does not have the incentive to help cattlemen find a better vaccine.

And, as long as eradication is the primary goal of the Brucellosis Program, the producer will have to shoulder much of the burden. Labor and equipment costs for handling the animals plus the weight losses to comply with the program, the constant harrassment or threat of harrassment from state and/or federal regulatory officials makes the program unbearable.

Also, as long as the rancher is compelled to comply, he should be entitled to indemnity payments on his reactor animals. This indemnity for the commercial producers has been very inadequate to compensate for the rancher's loss. It doesn't seem fair to compel ranchers to comply with the program and then force him to sell his animals at a loss without compensating him in some way.

We believe that instead of being concerned about animals that will test negative time and time again at untold cost, we should be more concerned with producing immunity in an animal that will last the rest of her life and not have to subject her to costly tests.

Also, we have not given animals that are vaccinated enough recognition. By this, we mean freedom of movement to encourage producers to vaccinate. It seems to us it would be much more economical to vaccinate an animal one time in her life than it would be to test her once a year for the rest of her life as long as she belongs to the same owner and up to three times every time she changes ownership, as is proposed by the new regulations.

We would propose to have an animal tested six months after vaccination, slaughter all reactor animals and have free movement of all vaccinated animals that have passed one clean test.

We feel the proposed regulations to be adopted this year would be disastrous to the cattle industry. If the USDA persists in adoption of these regulations, it could cause many producers to go out of business and would have long range effects on the whole economy. It will have a definite effect on the consumer in that it would alter the present and future supply of beef.

At this time when everyone in government and private enterprise is conscious of expenditures, we feel that a program such as the Brucellosis Program, should be looked at very closely. We think the President's budget reductions for federal brucellosis control program is a step in the right direction. We also agree with the proposed cuts in 1984 and 1985. We feel we represent the true, cow/calf, grass-roots producer. Going through hard times is nothing new to these people and the indemnity we have talked about, gentlemen, ranchers would not even want if they weren't forced to comply with the Federal program.

So, we are asking that you cut back on expenditures earmarked for eradication of brucellosis since billions of dollars spent on the program have not worked in the more than 45 years the regulations have been in effect. Instead, let the cattleman clean up his own herds and save the government money that is now being wasted.

It has been said time and time again that the Brucellosis Program cannot be successful without producer cooperation because compliance is more costly than the disease.

Thank you

TUFTS UNIVERSITY SCHOOL OF VETERINARY MEDICINE

STATEMENT OF FRANKLIN M. LOEW, DEAN, TUFTS UNIVERSITY, SCHOOL OF VETERINARY MEDICINE

Senator ABDNOR. Our next witness is Franklin Loew, dean of the Tufts University School of Veterinary Medicine.

Dr. LOEW. Thank you. I will be brief. Our remarks were submitted to the committee earlier.

Senator ABDNOR. Yes, and I assure you that the entire statement will be made a part of the record at this point.

[The statement follows:]

PREPARED STATEMENT OF FRANKLIN M. LOEW

DEAN, SCHOOL OF VETERINARY MEDICINE, TUFTS UNIVERSITY

ON BEHALF OF ASSOCIATION FOR BIOMEDICAL RESEARCH

Franklin M. Loew, D.V.M. (Cornell University), Ph.D (University of Saskatchewan) - Dean, Tufts University School of Veterinary Medicine, 1982 - Present. Director, Division of Comparative Medicine, Johns Hopkins School of Medicine, 1977-1982. Chairman, National Research Council's Institute of Laboratory Animal Resources, National Academy of Sciences, 1981-1984. Diplomate, American College of Laboratory Animal Medicine, Fellow, American College of Veterinary Toxicology.

The Association for Biomedical Research, which is the only national biomedical research trade association representing both industry and academia, recommends that the APHIS inspections budget not be cut, but rather, funded at at least FY 1982 levels and that the service be made more cost effective through the methods suggested in this testimony.

Mr. Chairman, Members of the Subcommittee: I am Franklin M. Loew, speaking on behalf of the Association for Biomedical Research. I am Dean of the School of Veterinary Medicine at Tufts University in Boston. Until coming to Boston recently, I was the Director of the Division of Comparative Medicine at the Johns Hopkins School of Medicine.

The Association for Biomedical Research (ABR) represents nearly 200 universities, hospitals, medical schools, veterinary schools, pharmaceutical and chemical companies, research institutes, animal breeders and suppliers, and contract testing companies. It is the only national biomedical research trade association representing both industry and academia. ABR's primary objective is to help assure the continuation of responsible biomedical research under properly established conditions.

ABR is concerned with the possible consequences of the proposed cutback of APHIS veterinary service inspection funds from $4.9 to $1.5 million. The Subcommittee must recognize that this money was designated for thousands of inspections of research facilities, animal dealers, exhibitors and airport terminals in order to uphold and enforce basic standards of animal welfare as established originally in 1966 by the then Laboratory Animal Welfare Act (Public Law 89-547).

ABR urges that the APHIS funding be reinstated to at least its present, 1982 level. To justify the proposed cutbacks, the Administration and the Secretary of the Department of Agriculture have proposed to turn over the responsibility for enforcing animal welfare activity to "states, industry, humane societies and individuals", a proposal which, if enacted would be of great concern to the biomedical research community.

The authority for enforcing the provisions of the Animal Welfare Act resides exclusively with APHIS as a result of the 1976 Amendments to the Animal Welfare Act. The Administration's proposal to transfer this activity to the states would require that all 50 states introduce and pass laws creating legal entities which would have the authority to enforce the Animal Welfare Act. In the unlikely event that all 50 states should decide to assume this responsibility to operate these newly constitutional bodies, implementation would take years and would require the additional appropriation of state funds.

The Association for Biomedical Research is concerned that important medical research would be impeded by this proposed transfer of authority. APHIS and the biomedical research community acknowledges the weaknesses in the present inspection procedure and hope to reduce these problems as they revise policies to include more detailed and specific guidelines.

Serious interpretation problems have occurred when APHIS-trained, experienced personnel and veterinary medical officers undertake the inspections. Chaos would most assuredly ensue if untrained inspectors attempted to enforce the regulations of the Animal Welfare Act.

It is ABR's belief that with the vast new responsibilities being placed on state governments as a result of "new Federalism", they might forego any active efforts to assume responsibility for inspection of research facilities. If private or municipal humane organizations were to attempt to regulate research facilities, concern would be voiced about the technical expertise of these individuals, as well as possible philosophical differences.

The result would be potentially no inspection program at all, which would set public confidence in animal welfare regulation back by many years.

The Association for Biomedical Research has a vested interest in a sound inspection program. ABR believes that APHIS could be much more cost effective, with modest modifications, and it recommends that the weaknesses in the inspection program be strengthened by several methods, including:

1. accepting the American Association for Accreditation of Laboratory Animal Care accreditation as a complement to APHIS inspections, thus permitting APHIS inspectors to allocate their time more selectively;
2. developing a formal working relationship with other federal agencies such as the Food and Drug Administration and the National Institutes of Health, and whenever possible, accepting their standards; and -
3. developing a published manual which can be used by the facilities being inspected to prepare and facilitate the inspection process.

For clarification for the Subcommittee, AAALAC,or the American Association for Accreditation of Laboratory Animal Care is a group of 25 major professional and scientific organizations including the American Medical Association, the American Veterinary Medical Association, the American Hospital Association and the American Association for the Advancement of Science, to name a few. AAALAC, a voluntary organization, has the highest standards for accreditation, and since 1965, has accredited some 450 institutions. AAALAC accreditation is not universal nor is it easily attained, but if APHIS accepted AAALAC as a benchmark, it might be possible, for instance, to inspect an AAALAC-accredited facility less often than a facility without this accreditation.

In closing, I would like to summarize the Association for Biomedical Research's recommendation that the APHIS inspections budget continue to be funded at at least existing levels and that the service be made more cost effective through the methods we have suggested. Medical and biological research cannot enjoy public support and confidence without an acceptable, national regulatory framework, and the present APHIS program is worthy of support.

On behalf of the Association, thank you for permitting me to comment on this issue.

BIOMEDICAL RESEARCH

Dr. LOEW. Let me then just emphasize two or three points that we are concerned about.

The Association for Biomedical Research represents nearly 200 universities, hospitals, medical schools, veterinary schools, pharmaceutical and chemical companies, research institutes, animal breeders and suppliers, and contracting testing companies. It is the only national biomedical research trade association representing both industry and academia. ABR's primary objective is to help assure the continuation of responsible biomedical research under properly established conditions.

ANIMAL WELFARE ACT

You have heard earlier testimony about the things we are concerned about—the amount of money and availability for animal services and enforcement of the Animal Welfare Act.

Our concern is that the Animal Welfare Act, as mentioned by the U.S. Department of Agriculture, is the only Federal law.

We are urging that the APHIS funding be reinstated to at least its present 1982 level, that level funding rather than the almost 75-percent decrease in this small program that has been proposed. This is not a grant or subsidy or loan program; it is a relatively small amount of dollars for what we believe to be an important program in maintaining public confidence in the biological agriculture and medical research program.

In conclusion, we urge you and your colleagues to give consideration to restoration of the decreases, almost 75-percent decrease proposed in this small program.

Thank you very much.

Senator ABDNOR. I guess the general theme since I have been here is that there is no assurance the States would carry this on. Is that the general feeling?

Dr. LOEW. Yes, that is our concern, or if the States were able to carry them on, no two States could do it similarly. Therefore, research paid for by the Federal Government in agriculture or medicine or biology would be subject to 50 different sets of regulations, Mr. Chairman.

Senator ABDNOR. Is your biggest concern enforcement or the research?

Dr. LOEW. Our biggest concern is that the research be carried out; but we are well aware that if the inspection system which has the public's confidence is not in place, the funds necessary to support this research might not be forthcoming.

Senator ABDNOR. Right now when they give out research moneys, do they specify on the Federal end exactly what they want, or do they give the colleges some latitude?

Dr. LOEW. At the moment, those receiving funds using animals that are defined under the act fall under the Animal Welfare Act, and must go into compliance with that which provides for an inspection.

If there were no funds for APHIS to monitor that, our concern is that the individual States would indeed try to take this over, and we believe it is a bad situation in view of the 50 States that might still regulate this activity.

Senator ABDNOR. I suppose each State seeks the money, do they not, for their own research. How is it done?

Dr. LOEW. No, sir; I think States have research programs, but we are talking about Federal money. This is research money coming out through the Agriculture Department, Health and Human Services, Department of Defense, and many others, and it is the USDA that administers one act that is interested in all of those enterprises.

Senator ABDNOR. But nevertheless, the Federal Government does not do the research itself; it is done at institutions throughout the country.

Dr. LOEW. Yes, that is correct; the Federal Government in response to grant proposals or other requests puts the money into these universities, private research organizations, et cetera, but those organizations and universities, in turn, must comply. Our concern is if the wherewithal is not available for USDA to inspect and otherwise assure compliance with this USDA Act, the public confidence in such act might erode.

Senator ABDNOR. Thank you very much.

HUMANE SOCIETY OF THE UNITED STATES

STATEMENT OF MARTHA REBEKKAH HAMBY, DIRECTOR, LEGISLATIVE ACTIVITIES, THE HUMANE SOCIETY OF THE UNITED STATES

Senator ABDNOR. Our next witness is Martha Hamby, director of legislative activities, the Humane Society of the United States.

I have your statement, which will be placed in the record in its entirety.

Ms. HAMBY. Thank you, I would like to have my statement put in the record as it stands, and I have a couple of points to bring to the attention of this committee.

[The statement follows:]

PREPARED STATEMENT OF MARTHA REBEKKAH HAMBY
DIRECTOR, LEGISLATIVE AFFAIRS
HUMANE SOCIETY OF THE UNITED STATES

MR. CHAIRMAN, I am Martha Hamby, Director of Legislative Activities for the Humane Society of the United States (HSUS). We welcome this opportunity to testify on behalf of the millions of animals served by the Animal and Plant Health Inspection Service (APHIS). APHIS is responsible for administering the Animal Welfare Act (AWA) which ensures humane treatment of animals used in laboratories, displayed in zoos, raised in puppy mills, appearing in circuses, and handled by dealers. The Animal Welfare Act mandates licensing, registering, and inspections of facilities. In addition, APHIS is also charged with administering the Horse Protection Act (HPA). In FY 82, APHIS had a budget of $4.8 million to administer the AWA. This year OMB has asked APHIS to do its job with $1.5 million, a 70% cut in funds. They have also cut in half funds for the HPA.

Now, Mr. Chairman, The HSUS has what might appear to be a seemingly contradictory task today -- to advocate restoration of funds to the 1982 level, while simultaneously suing APHIS for inadequate enforcement of the Animal Welfare Act.

There is no doubt that The HSUS and APHIS have not seen eye-to-eye on enforcement and accomplishments since 1966. However, today we are here in support of the Animal Welfare Act. We ask you, on behalf of our nationwide constituency of 150,000, to fully restore the funding for APHIS.

Granted, the APHIS program has moved *far too slowly* along toward the goal that this Congress set back in 1966, then re-affirmed and expanded in 1970 and 1976:

> To establish by law "the humane ethic that animals should be accorded the basic creature comforts of adequate housing, ample food and water, reasonable handling, decent sanitation, sufficient shelter from extremes of weather and temperature, and adequate veterinary care including the appropriate use of pain-killing drugs."

However, APHIS *has* acted and the program has had some very positive impacts which I will cover later. Our disagreements have been over degree of enforcement and effort, not *whether* it is needed.

There can be no doubt that the proposed 70% reduction in funding would end any semblance of protection for animals. For example, APHIS told Congress last year, "as the rate of inspections decreases, it is expected that violations will increase." This year, APHIS has admitted that, with this cut, regular inspections will cease.

The Office of Management and Budget is telling you their purpose is "to turn the primary enforcement of animal welfare activities over to the States, industry groups, humane societies and individuals."

Now, Mr. Chairman, in this day of New Federalism, this may sound appealing. But this notion has a major flaw:

> Under the Animal Welfare Act, these groups are not allowed to do such inspections. Furthermore, according to APHIS's own research, no state currently has a program permitting private access to labs for purposes of inspections.

In written reply to a member of the House Subcommittee on Agriculture, Secretary John R. Block admitted that USDA had held "no discussions regarding such a transfer of power of inspection with any group or State." Secretary Block went on to say that the only inspections to occur would be from volunteer groups. In addition, he said, whatever inspections occurred "would be with the consent of the licensee or registrant, as there is no authority under present law to require it."

Now, Mr. Chairman, obviously there is no intention of any enforcement of this law. Traditionally, Americans agree, as one body, on few policies. But everyone surely agrees that deliberate or neglectful inhumane treatment of animals is unacceptable. Furthermore, the American people agreed that these principles were a national mandate, to be espoused and enforced by our government.

It appears to us that in eliminating a program that the people of this country demanded, and turning over enforcement of a Federal law to various interest groups, and in guaranteeing absolutely no assurance of access to facilities of APHIS . . . it appears to us that OMB is asking you to aid them in what is tantamount to executive repeal of a law passed by the Congress of the United States.

This is a dangerous precedent . . . for us and the animals.

I would like to outline some of The HSUS concerns about specific areas of potential animal suffering, if APHIS budget cuts are approved.

1. Laboratory animals: The original version of the Animal Welfare Act (1966) was enacted for the protection of animals used in research, often without benefit of pain killing drugs. This year, at a time when funding levels are dramatically raised for projects that use animals for testing, OMB is asking you to slash funding for enforcement of animal protection. Funding is being increased for biochemical development at the Pentagon and for biomedical research at the National Institutes of Health. If the funds for experimental grants come from the Federal Government, surely the Federal Government has not only the right, but the obligation to require that animals used in its projects be humanely cared for and inspected.

2. Zoo animals: Violations of public safety standards and cruelty to animals are common complaints served by APHIS. In Corinth, Mississippi, APHIS is taking legal action against the owner of a zoo because of deplorable conditions. And in Jonesboro, Arkansas, private groups were unable to bring cruelty charges against a zoo owner due to his family ties to local authorities. APHIS, by showing the zoo did not meet USDA standards, was able to close the zoo. In Oklahoma, a two year old girl was injured when a tiger on exhibit was not kept a safe distance from the public. APHIS has charged the exhibitor with violating Animal Welfare Act standards. The case is pending.

3. Puppy mills: Kennels which mass-produce puppies for pet shops are often referred to as "puppy mills." Dogs at these mills are often the victims of filth, inadequate shelter, insufficient food and water, overcrowding, disease, excessive breeding, lack of veterinary care, and general neglect. In 1970, the Animal Welfare Act was amended to require commercial breeders wholesaling dogs to the pet industry to be licensed and regulated by USDA, and to meet humane standards of care for their dogs. Unfortunately, there are still a large number of substandard breeders in operation due to inefficient compliance procedures and a lack of sufficient funds for enforcement. The current funding of the Animal Welfare Act must be maintained so USDA will be able to conduct inspections of puppy mills in order to upgrade or eliminate substandard breeders.

4. Dog and Cockfighting: Dog and cockfighting is the unbelievably cruel practice of placing two cocks or pit bull terriers together in an enclosure while cheering spectators and owners find pleasure in watching the animals tear each other apart. In 1976, the Animal Fighting Venture Section was added to the Animal Welfare Act. From the very beginning, USDA has repeatedly advised us that they cannot provide us with assistance because of a lack of money budgeted for this section.

5. Horse protection: Under the Horse Protection Act, APHIS has had a major role of inspecting walking horse shows, and have reduced the amount of soring in horses. Forbidden under the Horse Protection Act, soring is a common practice used to enhance the high-stepping gait of the show horses. Believing that horses could always step higher, some trainers used caustic chemicals or heavy chains around each leg to produce soring of the horses' tendons. Each step caused the horses pain, thus causing them to lift their legs more highly to prolong the time between the last painful step and the next painful one. However, APHIS has not been going to enough shows. These budget cuts will only aggrevate the present problem.

We are asking you to hold the line on budget cuts for Animal Welfare enforcement. Mr. Chairman, restore that $3.4 million to the FY 83 budget, not just for reasons of legality or morality -- APHIS can actually work.

ANIMAL WELFARE ACT

Ms. HAMBY. I would like to go back to 1966 when the Animal Welfare Act was passed. It covered the humane care and treatment of laboratory animals; in 1967 amendments were added for breeding animals, if you will, and then again in 1976 to include an animal fighting amendment.

The Animal Welfare Act is the No. 1 subject of inquiries at USDA. It is an extremely popular piece of legislation with the American people, and in fact it came to be because of the people backing it in 1966.

This 70-percent cut is proposed by OMB to reduce—well, to eliminate, if you will—all regular inspections by APHIS of animals that come under the Animal Welfare Act. Secretary Block said so himself, and he further admitted that as the laboratory inspections decrease, the number of violations will increase.

Senator ABDNOR. Excuse me, but did you say the money decreases?

Ms. HAMBY. As the regular inspections decrease, then the number of violations are at the same time expected to increase, because of lack of enforcement.

Another problem that the Humane Society of the United States has with this 70-percent cut is that the Federal Government is now in the business of funding biomedical research through the National Institutes of Health, and biochemical research through the Pentagon. Both of these programs use animals, and as more funding is given, more animals will be used, yet they will not be inspected. We feel it is a moral obligation of the Government if they are to fund these programs, to use animals, that the Government also fund a program to inspect the care and treatment of these animals.

Secretary Block suggested in his budgetary proposals that the power of inspection be transferred to States or to private industry groups or humane societies across the country. We have a little problem with that, because as it stands now, there is no legislation that allows us to go in and inspect the sites. Secretary Block has said that we cannot go in without the consent of the research facilities. And since no legislation is pending, there is no funding for us to go in.

Only 2 of the 50 States have funded programs in the works right now. There is no enforcement there——

Senator ABDNOR. What two States have gone ahead with this? You said there were two States.

Ms. HAMBY. Yes; 2 of the 50 States; that is right.

Senator ABDNOR. Which are those?

Ms. HAMBY. They have funding now; funding is now available.

Senator ABDNOR. I am curious as to which are the two States.

Ms. HAMBY. I do not have the two, but I can get back to you with that.

At any rate, many of these animal welfare violations are interstate issues and are inherently Federal issues, so with no power of these inspections here on our part, there is not going to be any enforcement of a law that was demanded by the people and passed by the Congress of the United States.

The Welfare Act is the only Federal law that protects this wide range of animals; it is essentially all that animals have under the full powers of Congress, and with a total APHIS budget of $233 million rounded off. We think the restoration of $3.4 million to insure inspection of these is a small sum to ask for, given the total outlook.

Back in 1976 when the last time amendments came up for a vote in Congress—of all the members of this subcommittee that we have heard today, many were in office in 1976, even though their votes were on the House side—this committee voted 100 percent to strengthen the Animal Welfare Act.

What the Humane Society of the United States is asking you to do today is to cast your vote again in support of the Animal Welfare Act and restore that money.

That concludes anything I had to say, but I will be glad to answer any questions.

Senator ABDNOR. Well, we certainly are aware of the problems. I guess the problems sometimes come up in a number of areas, and I know the members of the entire Appropriations Committee are aware of them. The way we have this Government structured with all our mandatory requirements written into law, it leaves the whole committee to argue about only 10 to 18 percent of the budget, and some of us are hopeful we will get some changes made in the overall spending habits of this Government so we do not have to keep going back to the same areas to make reductions.

As we look at it today, we are being told if we do not make changes and some cuts, we will be backing a $175-billion deficit. A lot will depend on what happens in the days and weeks ahead. That is why some of us feel so strongly about some necessary changes including things like entitlements, so that we will then have some say about what we do around here.

But we are all aware of what you are saying here. It has been said by several other witnesses since I have been in the room. It is something we are conscious of.

Ms. HAMBY. I appreciate it, and when you undertake that task, I hope you will remember the Animal Welfare Act.

Senator ABDNOR. Thank you for your testimony.

[CLERK'S NOTE.—Subsequent to the hearing, the following letter was received from Ms. Hamby:]

LETTER FROM MARTHA R. HAMBY

Hon. JAMES ABDNOR,
U.S. Senator, Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR ABDNOR: On April 19, I testified on behalf of increased funding for APHIS; you were Acting Chairman of the subcommittee.

I would like to submit as addenda the following information you requested:

BACKGROUND: Is slashing the APHIS budget for enforcement of the Animal Welfare Act, OMB has suggested turning over APHIS duties of inspection to "States, industry groups, humane societies and individuals." Yet private interest groups have no authority under the Animal Welfare Act to inspect the facilities that use animals in their projects. Moreover, States are not appropriate inspectors, since interstate commerce is involved in most of these ventures.

Of the 50 States, only 8 currently have animal protection laws which require licensing or regulation of research facilities and other facilities covered by the Animal Welfare Act, and only 3 States have funding available.

Senator ABDNOR: What States presently have laws covering inspections, and which three have funding?

MARTHA HAMBY [For the Humane Society of the United States]: The following States have laws which only partially cover the issues addressed by the Animal Welfare Act, as enforced by APHIS:

1. Colorado—Dog breeders. Has limited funding for inspections for fiscal year 1983.
2. Florida—Exhibition animals. Limited funding for inspections.
3. Illinois—Dogs and cats in pet stores. Limited funding for inspections.
4. Iowa—Has laws covering animal shelters, commercial breeders and kennels (dogs and cats). No funding.
5. Michigan—Law covering pet shops, dealers, research facilities (involving dogs and cats). No funding.
6. Pennsylvania—Dog kennels and dealers. No funding.
7. Rhode Island—Laws allowing inspections in kennels, pet shops, dealers, and animal shelters. No funding.
8. Tennessee—Laws covering dealers and laboratories (involving dogs and cats). No funding.

As with most of my formal testimony, this information comes from APHIS. I appreciate your interest in the enforcement of the Animal Welfare Act. On behalf of its 150,000 members, The HSUS strongly urges the restoration of fiscal year 1982 funding for APHIS

Sincerely,

MARTHA HAMBY.

NATIONAL MILK PRODUCERS FEDERATION

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

ACCOMPANIED BY JOHN B. ADAMS, DIRECTOR

Senator ABDNOR. Our next witness is Patrick Healy.

Welcome, Mr. Healy. Being the old pro you are, I need not tell you that your entire statement will be put in the record.

[The statement follows:]

PREPARED STATEMENT OF PATRICK B. HEALY
SECRETARY
NATIONAL MILK PRODUCERS FEDERATION

We are pleased to have this opportunity to comment on the budget requests for the agencies of the U.S. Department of Agriculture as well as activities of the Food and Drug Administration. Specific recommendations contained in our statement include:

(1) An increase in funding and staffing levels to permit the Agricultural Cooperative Service to maintain present levels of operation.
(2) Report language and, if necessary, expanded funding to secure proper enforcement of Section 403 of the Food, Drug and Cosmetic Act.
(3) Funding of Child Nutrition Programs at levels sufficient to maintain present levels of participation, re-establishment of the Special Milk Program to serve all eligible children regardless of the operation of other programs, and continuation of the WIC Program at present level and form.
(4) $200,000 to meet obligations under the Dairy Indemnity Program.
(5) An additional $17.5 million for the Animal and Plant Health Inspection Service for brucellosis eradication.
(6) An increase of $5,760,000 in funds for the Cooperative State Research Service for animal health and disease research.
(7) Additional funding for the Statistical Reporting Service to maintain monthly Milk Production and Dairy Products reports.
(8) Direction to the Secretary of Agriculture to carry out directives to utilize dairy products held by the Commodity Credit Corporation.
(9) Authorize use of funds from individual milk marketing order assesment for administrative and development purposes by Agricultural Marketing Service.

AGRICULTURAL COOPERATIVE SERVICE

The Agricultural Cooperative Service of USDA is the only Federal agency charged with responsibility to assist agricultural cooperatives and their farmer owners in dealing with organizational, operating and management problems.

The budget proposal for Fiscal 1983 calls for a funding reduction from $4,639,000 to $3,683,000 accompanied by personnel ceilings which reduce agency staff from 90 in 1981 to 70 in 1983. These cutbacks will preclude the agency from responding to the needs of farmers and their cooperatives at a time when farm income is declining sharply and the demands of farmers on their cooperatives is growing.

The resources of the agency, primarily its personnel, represent a concentration of knowledge and skills relating specifically to cooperative organization, management, financing and operations not found elsewhere. A review of the work of the agency indicates that it has touched on the problems of farmers in virtually every state with heavy emphasis on those of small producers and producers of specialty crops facing unique marketing problems.

Farmers, as individual marketers, continue to lack the ability to exercise influence in the marketplace. Only through cooperative marketing that this can be achieved. Federal food and fiber policy has become increasingly market oriented in recent years. This should mean an increased rather than lessened commitment to this work.

ACS has been subjected to much greater cuts in budget and personnel than related agencies. Personnel ceilings for other USDA agencies whose primary mission is research will result in employment levels in fiscal 1983 two percent less than for 1981. The ACS limit would reduce employment by 24 percent. Funding for other research agencies will be 11 percent higher in 1983 than for 1981 while ACS will decrease almost 20 percent. A similar picture emerges comparing the budget and personnel levels requested for other USDA marketing agencies.

As a minimum, Agricultural Cooperative Service should be maintained at its current staffing level. Even then, the workload of the agency will be such that it will not be able to respond to the demands made on its resources and will have to delay needed work and establish a system of priorities to handle requests.

ENFORCEMENT OF FOOD, DRUG AND COSMETIC ACT

In recent years, the National Milk Producers Federation has filed regulatory letters with the Food and Drug Administration requesting enforcement action on ersatz cheese products believed to be misbranded under Section 403 of the Food, Drug and Cosmetic Act. Time after time the agency has refused to take action with respect to these objections claiming that budgetary limitations necessitate a low priority being assigned to the areas of food economics and food standards. This lack of enforcement places the burden of deciphering economic violations on the consumer, who must distinguish between properly labeled food products as purchases are made.

Specifically with respect to imitation cheese products the consumer can be confused by the wide array of product names to choose from: (1) a totally fanciful name which does not mention the product being imitated; (2) an "imitation" label as required by Section 403(c) of the Federal Food, Drug and Cosmetic Act, or (3) any other common or usual name the manufacturer chooses to use if his product is deemed by FDA to be "not nutritionally inferior" (e.g., nutritionally equivalent) to the product which it imitates and thus, exempt from the "imitation" labeling requirement under 403(c) of the Act.

The most popular common or usual name now used for "nutritionally equivalent" food is the term "substitute." In 1978 FDA proposed a standard of identity for milk, cream and cheese substitutes, to which the Federation filed objection. Though FDA has yet to take final action on this proposal, cheese substitute products are already on the market being advertised as standardized foods utilizing the nomenclature suggested in the proposed regulation.

FDA is mandated by law to enforce matters relating to misbranding regardless of budgetary constraints. Because of FDA's unwillingness to enforce the law, we request this Committee to develop report language directing FDA to allocate resources to provide surveillance of misbranding practices where the identity of a food is promoted or compared with a food for which FDA administers a standard of identity.

FOOD AND NUTRITION SERVICE

The National School Lunch Program is the foundation of our child nutrition efforts. We are pleased that the 1983 budget does not propose further reductions in the program. This is due, we know, to the concerns expressed by Members of this Committee and others. Program reductions put in place last year are being felt in terms of reduced participation and, in some instances, schools dropping out of the program completely. Any further reductions would accelerate this move.

Provision of commodities to participants in federally assisted nutrition programs has proven an effective means of making use of available products, improving nutrition and bolstering farm income. These activities must be continued and expanded wherever possible. We are disturbed at repeated efforts of the Office of Management and Budget to implement a letter-of-credit or to cash out the commodity program. The products used in this distribution have already been purchased by the CCC as part of agricultural price support operations. The attitude that continued holding of the product in CCC inventory is sound fiscal policy is merely addiction to an accounting principle that has no rational basis in carrying out public policy.

The budget request repeats the recommendation that the Special Milk Program be terminated. The justification is, as it has been in the past, that milk is provided school children under other nutrition programs. This is not the case. Changes made in the Special Milk Program through the Budget Reconciliation Act of 1981, restricted it to those institutions that do not participate in other federally assisted food programs. Approval of the request to terminate the program would mean totally terminating Federal participation in child nutrition efforts in these institutions. With fewer schools participating in the National School Lunch Program, the need for the program is, in fact, growing. A substantial number of the children participating in the reduced Special Milk Program come from low income families. These children receive milk at no cost under the program. The requested termination would mean no Federal school nutrition assistance what-so-ever for these children. Indeed, the Program should be restored to serve all children not participating in the School Lunch Program regardless of whether their school offers the lunch program.

The budget calls for a substantial reduction in the funding of the Special Supplemental Food Program and the shift of these funds from the Department of Agriculture to the Department of Health and Human Services where they would be made a part of the Maternal and Child Health Block Grant Program. The new funding level is more than $300 million below the operating level of the WIC program for the current year. This reduction would mean a significant cutback in the impact of a program. There has been substantial evidence that the program has been a major factor in reduced infant mortality, reduced incidence of low birth weight in infants and has aided in preventing subnormal infant development. Transfer of the program to another agency and combining available funds with others in a block grant will mean decreased emphasis on nutrition improvement. There is no assurance that even the reduced funding would be targeted specifically on the perceived need.

The proposed consolidation of the School Breakfast Program and Child Care Feed Program funding under the heading of General Nutrition Assistance is little more than a disguised form of past proposals to convert all child nutrition programs to a block grant form. The Federation has seen little merit in those proposals and we see little in this.

DAIRY INDEMNITY PROGRAM

The budget request eliminates funding for this program. Outlays under the program have been modest since it was first initiated. In 1980, the program cost $92,000 and $43,000 was spent in 1981. Its availability, however, has meant the difference between continuing in the dairy business and being forced to disperse their operations for the affected dairymen. Indemnity payments are available to farmers whose milk is barred from the market due to the presence of residues of pesticides, other toxic chemicals or nuclear radiation. No producer is eligible for indemnity payments if the residues are the result of misuse of a product or other negligent act of the farmer. In the case of other toxic chemicals or nuclear residues, if the Secretary determines that the farmer has other recourse available, no indemnity will be paid. In the case of pesticide residues, it is incomprehensible that a farmer should be penalized for use of a product according to instructions and registration approved by an agency of the Federal government. Yet that is just what has happened in the past and what provided the basis for initial enactment of this program by the Congress. Last year, as part of the 1981 farm bill, Congress demonstrated its view that the need for the program continues by extending it for an additional four years. We recommend that $200,000 be made available for this program.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Dairy farmers are adamantly opposed to the proposal to eliminate the Brucellosis Eradication Program, replacing it with a voluntary control program. This plan is both unwarranted and unjustified. The program has been redirected and revitalized according to the 1978 recommendations of the Brucellosis Technical Commission. These changes have brought about substantial progress toward eradication of the disease, thereby removing a serious public health and animal disease hazard.

The Brucellosis Technical Commission concluded that we can eradicate the disease by following their recommendations which have been incorporated into the new Uniform Methods and Rules adopted by the individual states under the Cooperative program. Since 1950, we have reduced the number of reported cases of human brucellosis per year from 6,200 to 180 and the infection rate in cattle from 5.6 percent of animals tested in 1950 to approximately 0.4 percent in 1981.

The essence of the proposed reduction is to move away from a highly successful program toward a voluntary vaccination control program at the expense of the producer. This will eliminate indemnity payments based upon fair market value and will eliminate, for all practical purposes, funds for Federal vaccination, primarily in the high incidence states of Texas, Louisiana, Mississippi, Florida and Arkansas where every effort is now being made to vaccinate all animals on an accelerated basis. This flies in the face of the principles established by the Technical Commission for eradicating this highly transmittable and pathogenic disease.

The Technical Commission considered a control only program option based upon attempts to achieve a high level of voluntary vaccination, with a moratorium on test and slaughter and indemnity payments. This was considered a comparable strategy to that adopted by California between 1948 and 1957. It was concluded that it was neither physically nor economically feasible to achieve the levels of vaccination which would be required to influence infection rates significantly over the nation as a whole. For these reasons, the Technical Commission did not recommend the "control only" option now being advanced.

Our basic recommendation would be to maintain funding at the current level. However, if for 1983, the Congress determines that a budget reduction is necessary, the Federation recommends that current funding not be reduced by more than $13.5 million. Under such a budget plan it is recommended that the following increases be made in the budget proposal:

Primary Surveillance	+ $2.0 million
Secondary Surveillance	
Adjacent and contact herd testing	+ 0.8 million
Epidemiology	+ 1.7 million
Testing at markets	+ 3.0 million (earmarked for Southeast)
Indemnity	
Regular	+ 3.0 million
Herd depopulation	+ 5.0 million
Regulation and enforcement	+ 2.0 million
Total	+$17.5 million

Under the plan outlined above, funds would be available to beef up primary surveillance activities and to maintain adjacent and contact herd testing and epidemiology. Monies would be available for herd depopulation to protect the clean, relatively disease-free states. Under such a plan, sufficient monies would be allocated to first point of testing in those areas of the Southeast where it is extremely important to back up recently accelerated first point of testing and area testing activities which would be eliminated under the budget proposal.

AGRICULTURAL RESEARCH

The increase in funding proposed for the Agricultural Research Service is essential to permit the agency to maintain its level of operation and to provide the new technology necessary to assure continued availability of low cost food and fiber. We recommend restoration of the budget reduction for the Cooperative State Research Service which eliminates funding for animal health and disease research work. This is necessary to meet specific animal health needs, including implementation of management systems at the farm level to prevent or alleviate causes of animal losses. The funds available under this program allow concentration of research effort on animal health and disease problems of specific region, thereby complementing other efforts of the USDA.

STATISTICAL REPORTING SERVICE

The data developed by the Statistical Reporting Service are basic to the formulation and implementation of public policy and to the planning and conduct of operations by farmers and agribusiness. To be of value, the information must be available on a prompt basis. SRS has announced the discontinuance of some 26 reports and a cutback in the frequency of others as part of budget reduction efforts. This reduction in the availability of information was made with no effort to determine the need for or use of the information on the part of agricultural users. Five of the reports involved provide information directly related to milk and dairy product production.

While we would like to see all of these reports maintained at their present level, we are aware of the need to hold down government costs. Two of these reports, Milk Production, and Dairy Products are essential on a monthly basis as the primary source of information on industry trends and direction for both policy and planning purposes. Making this information available on a quarterly basis, as proposed, will simply not meet this need. The lag will reduce the ability of policy makers and farmers alike to respond to changing conditions. We urge that the necessary funds be provided to maintain these two publications on a monthly basis.

DAIRY PRODUCT EXPORTS

A major effort of the USDA is directed toward expansion of export markets for U.S. agricultural commodities. This work has not applied to dairy products even though the U.S. is the world's second largest dairy producing nation. This is because so-called world prices for dairy products are determined by the export susidy practices of some nations or groups of nations. Over the past two years considerable attention has been focused on the stocks of dairy products acquired by the Commodity Credit Corporation under the Dairy Price Support Program. The cost of the program and the level of these stocks resulted in major program changes in the 1981 farm bill and pressure is being exerted at the present time for further program reductions.

On several occasions in the past year, the Congress has urged USDA to use existing authorities to assist in the development of export programs. A provision included in the farm bill directed that such actions be taken to bring program costs in line with budget estimates. Nothing has been done in response to these urgings and directions.

AGRICULTURAL MARKETING SERVICE

The budget calls for a substantial reduction in the funds available for the administration and development of Federal marketing orders. The work of AMS in this is absolutely essential to the maintenance of stable markets for farmers. Funds for the actual administration of individual milk marketing orders are provided by the industry itself through an assessment on all milk marketed. If the funds needed to maintain funding for the program work in Washington cannot be provided through the regular appropriations process, we would recommend that the agency be allowed to use funds available through these assessments for this purpose. It makes little sense to assure the operation of the program in the field if the underlying support and administration on which it depends is not maintained.

AGRICULTURAL COOPERATIVE SERVICE

Mr. HEALY. We are pleased to have this opportunity to comment on the budget requests for the agencies of the U.S. Department of Agriculture, as well as activities of the Food and Drug Administration for the upcoming fiscal year.

Mr. Chairman, the increased emphasis on market orientation for Federal food and fiber policy is here, and in the face of sharply declining profits, farmers are interested in improved marketing efforts. Despite this, personnel cuts will reduce the staff for the service by 24 percent at the 1981 level. Reduction in funding totals 20 percent.

This agency has a small staff; however, its skills and capabilities represent the most concentrated body of expertise in operations and management and finance available today. The demand for assistance to new groups of producers and organizations has grown, and also there have been increases in the need for the work of the agency to assess the impact of policy actions and agricultural operations.

We strongly recommend increases in both funding and personnel ceilings to permit the agencies to maintain the present levels of operations through fiscal year 1983.

ENFORCEMENT OF FOOD, DRUG AND COSMETIC ACT

One of the specific purposes of the Food, Drug and Cosmetic Act is to enforce action in the marketplace. In recent years, however, they have done nothing to enforce these provisions, arguing that such work is given a low priority.

The agency has proposed other changes to have the effect strengthened. We do not believe selective enforcement of the laws is in keeping with the intent of Congress, and we request the committee address this specific situation through report language directly in the allocation of resources to this program.

We are pleased, Mr. Chairman, that no further reductions have been requested in the program. We know the major reason for this is the strong effort by members of this committee to maintain this program as the foundation of our efforts.

SPECIAL SUPPLEMENTAL FOOD PROGRAM

The special supplemental food program is, however, once again slated for complete elimination. The basis for the reduction in the past is the fact the children receive milk through other child nutrition programs, and this is not the case. Changes in the law last year eliminated the national milk programs in all institutions where other programs were offered. Actually, there is a need to expand the programs as recent studies indicate significant numbers of schools have dropped the school lunch program due to decreased participation as a result of increased taxes. And an additional large number of children's programs continuing to offer lunch programs have ceased participation. We would urge strong efforts for the milk programs in all schools so those children not participating would have milk available to them.

As far as the WIC program, it has proven a valuable means for improving infant health. The proposal to reduce funding by one-third and to combine the remaining funds with others in the block grant to be administered by the Department of Health and Human Services will seriously affect the gains. We recommend continuation of the program in its present level and present form.

BRUCELLOSIS ERADICATION

As far as the brucellosis eradication program, we are requesting additional funding for the animal and plant health inspection service. The proposal is submitted as part of the budget and sets the stage for major livestock losses in the area. Our basic recommendation would be to maintain funding at the current level. However, if for 1983 the Congress determines that a budget reduction is necessary, the Federation recommends that current funding not be reduced by more than $13.5 million.

The dairy industry has been under heavy pressures due to the cost of the price support program. We are aware of that, and are developing specific programs to deal with the issue. One of the problems continuously raised by administration officials by the CCC are provisions of the 1981 Farm Bill to direct the available authority including excesses so to develop revenues to bring program costs in line with budget allocations.

Despite this, nothing has been done. It is a serious problem and it must be dealt with, but simply talking about it will not address it. The Federation is aware of the specific proposals put before the Department involving the purchase of substantial quantities of cheese and butter for export.

Reduced funding for agricultural marketing will seriously hamper the market if appropriated funds cannot be used.

Mr. Chairman, these and other matters are addressed at length in my statement, which I hope you will include in the record.

I appreciate the opportunity to come before the Committee. Thank you.

Senator ABDNOR. We appreciate your thoughts on these matters. We know the dairy industry has its problems now. We certainly appreciate your views on what we have to do. I wish some of us could do a lot more sometimes. I am sure you are aware, but at times we put all our concentration together and we hope we come up with a fair program. It is a difficult time right now.

Were any of the various programs you mentioned here—the inspections, marketing and things like that—has there been a fallback at all this past year? Have you been able to hang on to the various programs?

Mr. HEALY. Well, take the child nutrition program, there has been just a steady erosion of this program over the past several years. The essence is in the school lunch program and the special milk program for children. Last year the administration removed the special milk program from any school in which there is a school lunch program. Last year also the Congress reduced the amount of money available for the school lunch program so that many, many schools have dropped that program.

Now this year, it is being proposed that the school milk program be totally dropped, so that schools having lost the school lunch program will not have the school milk program to fall back on.

As a matter of fact, we are in serious overproduction of programs in the milk industry, and that production will continue for a while, no matter what changes are made. I guess really the question before the Congress now is do you want to spend money to buy the price support program, or do you want to continue some of these programs which will utilize it for purposes for which it is meant?

Now we come to you and suggest these things, Mr. Chairman. We are not saying give us everything and expect nothing from us. I will be before this Congress in a matter of weeks proposing legislation under which the dairy farmers of this Nation have agreed to put up $1.3 billion to help fund this dairy price support program.

We recognize we have a problem, and we are willing to do our share in correcting it; some of these things we cannot do ourselves, and they are the matters which I have brought to you today. Compared to what we are prepared to do, they represent insignificant amounts of money.

Senator ABDNOR. It is going to be very interesting to see how your proposal is accepted in the committee. No one can deny that young people having milk available to them is a very worthy program.

Do you feel it has stimulated extra production of milk?

Mr. HEALY. The special milk program, no, sir; absolutely not.

Senator ABDNOR. Thank you for appearing here today.

CENTER ON BUDGET AND POLICY PRIORITIES

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Senator ABDNOR. Our next witness is Bob Greenstein from the Center on Budget and Policy Priorities.

We welcome you today, and you may proceed in any manner you wish.

FOOD AND NUTRITION SERVICE

Mr. GREENSTEIN. Thank you. I appreciate the opportunity to appear before the subcommittee, and I would like to focus today on the Food and Nutrition Service budget, and in doing so, to mention initially my recognition of the role of this subcommittee and the chairman in particular, played last year in averting serious problems in terms of the funding for the WIC program, and in providing leadership to help these programs be maintained for the people who need them.

Before going into this, I would like to share with you the results of an analysis we recently did on what is happening to the budgets for programs targeted to low-income people.

Administration officials and others note that entitlements would still rise in the 1983 budget, but most of it goes not to those poor, but to those above the poverty lines through pensions and medicaid; it is tied to the CPI, but that does not tell us what is happening to most of the poor.

To determine that, we need to determine basic programs for which only low-income persons can qualify, such as food stamps, AFDC, medicaid, SSI, free and reduced-price meals, low-income housing, compensating education, employment and training programs, and a number of health and social services programs. The cost of all of these programs combined comes to only slightly more than 10 percent of the budget. The programs targeted to those who are poor are not where the biggest budget dollars are. However, these programs are where the biggest cuts were made last year and would be made again this year under the administration's budget proposals.

Appropriations for the programs would fall from about $100 billion in fiscal year 1981 to about $62 billion in fiscal year 1983. When inflation is taken into account, this would be a reduction of over 45 percent in real dollars. On page 2 of my statement is a chart that lists all of these programs and shows that appropriations would go from $100 billion to $62 billion under the Reagan budget.

[The chart follows:]

BUDGET REDUCTIONS IN LOW-INCOME PROGRAMS

[Dollars in billions]

Program	Fiscal year 1981 budget authority[1]	Fiscal year 1983 Reagan budget
Food stamps	[2] 11.3	10.4
AFDC	8.5	[3] 6.3
SSI	7.2	[4] 8.2
Subsidized housing	4.8	
Medicaid	17.4	[3] 17.9
Employment and training	7.9	2.4
Compensatory education	3.5	1.9
Financial aid for needy students	3.8	1.8
Social services	3.0	2.0
Community services	.5	.1
Child welfare services	.5	.4
Legal services	.3	
Headstart and related programs	.8	.9
Low-income energy assistance	1.8	1.3
Veteran's pensions	3.8	3.9
WIC	.9	.7
Maternal and child health	.5	.3

See footnotes at end of table.

BUDGET REDUCTIONS IN LOW-INCOME PROGRAMS—Continued

[Dollars in billions]

Program	Fiscal year 1981 budget authority[1]	Fiscal year 1983 Reagan budget
Primary health care	.6	.4
Free and reduced-price meals	3.0	2.7
Total	100.1	61.6

[1] Reflects levels prior to Reagan rescissions.

[2] Budget authority for food stamps in fiscal year 1981 was actually $11.5 billion, but only $11.3 billion was needed. The chart reflects the $11.3 billion figure.

[3] AFDC and medicaid figures for fiscal year 1983 include the Federal share of State AFDC and medicaid administrative costs. In addition, the medicaid number is revised upward to reflect the $17.9 billion in projected medicaid outlays for fiscal year 1983. (Medicaid budget authority will actually be substantially lower than this in fiscal year 1983, but that is due to technical financing reasons that do not reflect budget cuts.)

[4] SSI estimates are adjusted to reflect payments for 12 months in fiscal year 1983. (The official OMB estimates reflect payments for 13 months in fiscal year 1983 and 11 months in fiscal year 1984 because October 1, 1983 falls on a weekend and the October payment will be paid on the last weekday of fiscal year 1983 rather than in fiscal year 1984.)

Mr. GREENSTEIN. In 1983, food stamps would be cut 20 percent, while social services, compensatory education and low-income energy assistance are cut by 40 percent.

It is in this context that, I believe, the proposals for further deep cuts in the Food and Nutrition Service programs should be viewed. Last year, Congress cut the FNS programs by over $3.5 billion a year. Major cuts were made at the same time in other programs for those who are poor. A further round of deep cuts in the food and nutrition programs will cause very substantial hardships.

FOOD STAMPS

The administration is seeking major cuts in food stamps through the appropriations process. Among the cuts requested in the administration's appropriations language are: one, raising the benefit reduction rate to 35 percent; two, eliminating the food stamp earned-income deduction; three, counting energy assistance as income; and four, cutting Federal funding for State administrative costs in operating the program by putting these funds into a block grant at reduced levels.

These proposals are unwise. The Congressional Budget Office estimates that the administration's proposals would result in 92 percent of the elderly and disabled having their benefits reduced or terminated. And 94 percent of the working poor would also be adversely affected. Overall, 28 percent of the food stamp benefits now going to the elderly and disabled—and 42 percent of all benefits now going to the working poor—would be wiped out. CBO estimates that the average working poor family on food stamps would lose $700 a year in food stamps.

The single biggest cut is the proposal to raise the benefit reduction rate to 35 percent. This is a $1 billion across-the-board benefit cut that would reduce benefits for the large majority of food stamp households, with the elderly and the working poor being most harshly affected. An elderly couple with a total income of $417 a month, the basic income level in most States for SSI couples who also receive a small social security check, as most SSI recipients do, would lose 57 percent of its food stamps just from this proposal. In addition, this proposal would also result in major benefit cuts for the working poor and would, as former Nixon administration welfare expert Richard Nathan told the Senate Agriculture Committee earlier this year, increase disincentives to work.

The proposal to eliminate the 18-percent earned income deduction would also penalize the working poor and heighten work disincentives. Working families would receive fewer food stamps than families who have the same level of disposable income, but who do not work.

The proposal to cut food stamp benefits for all who receive energy assistance payments is also unwise. Energy assistance payments do not represent additional funds available for food. Energy Department data show that energy costs of low-income families have risen more than $6 billion a year since 1977 in the aftermath of oil price deregulation and OPEC price increases in the late 1970's. The low-income energy program provides $1.75 billion a year in assistance, offsetting less than one-third of the increase in energy bills. It does not provide extra money to use on food.

About 40 percent of the recipients of energy assistance are elderly or disabled. They would have their food stamp benefits cut, or in some cases be terminated from the program in winter months, if food stamp benefits are cut for those who receive energy assistance.

Finally, the proposal to reduce Federal support for State administrative costs in operating the food stamp program is unwise, and I can testify from my own experience, as the administrator in prior years, that would be particularly unwise if we hope to reduce food stamp errors. A cut in administrative funding will undermine efforts to reduce errors and counteract fraud. It is necessary to have an adequate number of case workers to investigate and verify household circumstances and to conduct wage matches and similar efforts. A State cannot intensify efforts to get error rates down if part of its administrative funds are withdrawn at the same time.

Before leaving the food stamp area, I would like to urge the subcommittee to move quickly to approve a supplemental appropriation for the food stamp program. The program is now funded through August 15. There are not enough funds to provide full August benefits. This will require USDA to issue instructions to States on about June 15 to prepare for a reduction in August benefits. Such instructions are difficult to reverse after late June. Action on the supplemental is needed soon.

WIC PROGRAM

I would like also to comment on the WIC program. WIC is clearly one of the Federal Government's most successful programs, and this subcommittee has consistently shown its strong support for WIC.

I would hope the committee could provide enough funds for WIC and for the commodity supplemental food program, so that it continues to serve the same number of persons in fiscal year 1983 as fiscal year 1982. While I recognize that there is considerable interest in the general principle of freezing discretionary programs at their fiscal year 1982 levels, this would cause substantial problems in WIC. If food prices rise 5 percent but WIC funding is frozen, then 5 percent of the participants would have to be removed from the program. A freeze on WIC funding will require removing from 100,000 to 150,000 persons from the program in fiscal year 1983. This would be particularly troublesome, since WIC is already limited to those who need it most. Many areas of the country now maintain waiting lists of women, infants, and children who have been certified by a medical professional as being at nutritional risk, but for whom there is no room in the program.

Over the past year, additional medical evidence has mounted of WIC's effectiveness, including new studies showing a link between participation in WIC and improved growth in young children. There is a persuasive body of medical evidence showing WIC's impact on pregnant women, on infants, and on children. Indeed, a CBO study issued in 1980 rated WIC's effectiveness in reducing anemia among children as being greater than the nutritional impact of the school lunch program and all other child nutrition programs.

Thank you.

Senator ABDNOR. Thank you, Mr. Greenstein.

We do have the supplemental appropriations bill pending in the House. I do not think they have taken it out of the committee yet. I guess a lot of our decisions will depend on what happens in the budget process. Is that a fair statement, Mr. Chairman?

Senator COCHRAN. I believe so.

Senator ABDNOR. Our hands are tied here. We all know that decisions must be made. The talk of a $175 billion deficit is unbelievable. So I guess we are caught up with your views and mine and everybody elses, as to what is going to transpire in the weeks and months ahead—not months, I hope. We will not deny that the programs you discuss here are important to our people.

Do you think that there are areas, though, that if we scrutinize closely we could still provide the necessary programs but cut back in some areas? You are an expert in the area of food. Do you see areas where we might close down a little bit, or do you think we have pretty well taken care of that by our past actions?

Mr. GREENSTEIN. I think we have done most of what we can do legislatively in the tightening of error or fraud. There is a considerable amount to be done in management and implementation. We run into a problem as we have changed the food stamp program so much in recent years. Many of the antifraud issues enacted in 1980 are not implemented.

I would not say there is no area left in food programs for tightening. I think there may be some additional areas to be found to reduce the budget, but they are small.

We took large cuts out of them last year, and I think there are other areas of the budget we need to look at and find a larger share for budget reductions this year.

I guess the theme I am trying to say here is for those programs that focus on people at the bottom of the income scale, where the big cuts were last year, we have gotten to the point we cannot go a whole lot further. We did eliminate people last year, and the only people left in those programs are those who meet Reagan's truly needy; we have eliminated people with big cars and we have cut it three times in the last 5 years. We do not have that much room left. We have to find it in other parts of the budget.

Senator ABDNOR. Thank you.

Senator COCHRAN. Thank you very much.

I wanted to make this observation, and that is that we should fund the food stamp program in accordance with the eligibility guidelines established in the legislation, so that people who do qualify under the eligibility requirements actually enjoy the benefits that are defined in the legislation.

As you know, there are proposals pending before the Senate Agriculture Committee right now; specifically, one bill has been introduced by the chairman of that committee, Senator Helms, which would reduce the potential appropriations needed to fund the program. We do not know how that will turn out.

I am sure the witness is familiar with that bill, and the response to the question asked by Senator Abdnor makes it clear there is not much in it you would support, because it is designed to cut further the cost of the food stamp program.

But whatever is decided by that committee and ultimately by the entire Congress about the food stamp program, I think this committee will consider itself bound by that decision and make the necessary appropriations to fund the program. It is sort of an entitlement program in my opinion, and should be treated in that fashion by this committee.

There may be others who disagree, but I do not think this is the place to make reforms in the food stamp program. Our job is simply to appropriate the funds projected to be necessary to meet the obligations of the Government.

There are other programs; the WIC program is not like that. It was never intended to be fully funded so that every potential beneficiary of the WIC program was entitled under the law to the nutrition assistance, but States are provided funds under that program to help provide assistance to those who fall within the category of those to be served.

I was pleased that the appropriations level this fiscal year was sufficient to provide nutrition assistance under the WIC program to the same number of beneficiaries who were served last year in spite of increased food cost and other inflationary factors, cost of administration that went up, so that nobody had to be cut off that program, according to my understanding from the testimony we had from the witnesses who appeared before us earlier this year.

I do not know what we will be able to do this year in view of the budget restraints, but your testimony is helpful. I appreciate your being here and the way you work with the subcommittee in trying to work out these responsibilities.

Mr. GREENSTEIN. May I make one brief comment, Mr. Chairman? Whatever the Senate Agriculture Committee and the Congress do in the area of food stamps, I would hope that you could reach some kind of a conclusion this year, as you say, not to artificially eliminate the program through an unrealistic cap and that we would try to reach a conclusion, because we have constantly revamped the program. I recently read a letter from the food stamp director of the State of North Carolina, who said the error rate had gone up from 6 to 9 percent because of hundreds of new program changes. We are getting to the point where we are doing more damage trying to improve the program, but we are not actually improving it by making constant changes.

Senator ABDNOR. Thank you, Mr. Greenstein, we appreciate your being here today.

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE

STATEMENT OF FREDERICK W. DEVINE, DEPUTY EXECUTIVE DIRECTOR, COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE

Senator ABDNOR. Our next witness will be Frederick W. Devine with CARE.

Mr. Devine, we welcome you to the committee, and we certainly have great respect for the organization you represent. We know you have probably testified numerous times before this committee. Your entire statement will be placed into the record. I guess I am getting behind here by asking too many questions and we might be here longer than Congress. With that, I will let you move right ahead.

[The statement follows:]

PREPARED STATEMENT OF FREDERICK W. DEVINE

DEPUTY EXECUTIVE DIRECTOR

COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE (CARE)

Mr. Chairman, Members of the Subcommittee: CARE appreciates this opportunity to present its views on the proposed appropriations for Title II of Public Law 480 for FY 1983. I am Frederick W. Devine, Deputy Executive Director of CARE and formally Overseas Director of CARE's programs in India, Egypt, Pakistan and Greece.

Abject poverty, gnawing hunger, needless ignorance and illiteracy and wasting disease stifle the lives and still the aspirations of millions of men, women and children in the developing parts of our world.

The purpose of CARE is to assist these unprivileged people as well as victims of natural disasters. CARE helps people help themselves to lead healthier and more productive lives by emphasizing self-reliance and self-improvement. CARE concentrates its resources to alleviate the effects of low productivity and lack of services and resources, to relieve the inhumanity of hunger and malnutrition, to improve the conditions of life and, through its medical arm, MEDICO, to overcome disease and illness.

The most morbid manifestation of abject poverty is hunger. CARE has long worked on the premise that the problems of hunger and chronic undernourishment must be tackled either before or concurrently with the tasks of reconstruction and development.

Unless rural workers and cultivators of small agricultural holdings have adequate energy levels, fields are poorly tilled. Unless the primary school-aged children of landless laborers and the urban poor receive modest food supplements during the school day, their parents cannot afford to keep them in school and enrollment and attendance levels of the poor decline. Unless expectant and nursing women receive a modest supplement of fortified cereals, infant mortality and morbidity increases. The primary source of food commodities used by CARE, Catholic Relief Services, the World Food Program and other American voluntary agencies in tackling these problems is Public Law 480, Title II.

Mr. Chairman, during Fiscal Year 1981, CARE delivered more than 500,000 metric tons of P.L.480 U.S. agricultural commodities to approximately 29 million people, most of them undernourished children. Some 19.8 million children were fed regularly at school and at nutrition or child care centers. Some 8.7 million people received food through CARE Food-for-Work projects. Additionally, substantial quantities of food assistance were distributed to victims of disasters.

We at CARE believe that the need for food in the developing world has never been greater than it is today. We strongly advocate the continuance and strengthening of the P.L.480 program, especially Title II.

In a world where it is estimated that 800 million people go to bed hungry every night, there is an incontestable moral imperative to work to alleviate their hunger, but it is not the only imperative. There are political, economic and ecological imperatives as well. The Brandt Commission Report, the Report of the Presidential Commission on World Hunger and the Global 2000 Report have all made it dramatically clear that the fate of the "northern" industrialized nations is inextricably tied to that of the "southern" developing nations. Prosperity and stability in the north can no longer co-exist with poverty, instability and malnutrition in the south.

Certainly feeding programs do not provide nourishment alone. They also provide an entering wedge to local self-help development. There is a growing body of evidence that the investment of P.L.480 foods represents an effective and economically viable intervention by the U.S. in the struggle to assist countries in the developing world to improve living conditions.

In testimony presented to the House Agricultural Committee, the National Farmers Union pointed out that "one-half of our farm exports to the developing countries" have been delivered under Public Law 480. There are now ten countries which are billion-dollar customers for farm products, seven of them former recipients of Food for Peace aid. All of the United States' major customers for non-fat dry milk and grain sorghum are graduates of Food for Peace programs, as are eight out of ten of America's largest customers for wheat, cotton and rice and seven out of ten of our largest buyers of soybean, corn and feed grains.

Concern has been expressed by some experts in the field of development that the distributuon of P.L.480 food over an extended period of time will inevitably create a sense of dependency in the developing nations that will inhibit efforts to reach a state of self-reliance. CARE's experience has indicated that this is not necessarily true.

Mr. Chairman, I would like to cite two examples of how Title II food commodities were used to promote self-sufficiency:

> In FY 1977 CARE conducted a Food for Work effort in India in which approximately 120,000 tons of Title II wheat were distributed to agricultural development projects. The Government of India then, through the fortunate weather that prevailed in 1978, established grain reserves of approximately 20 million tons of wheat. The success of the Food for Work projects initiated with P.L.480 commodities from CARE led the Government of India to utilize part of this grain reserve in the same kind of effort, terming it "Work for Food". In the first year 1,200,000 tons of Indian grain were distributed for such projects. Based on the Government of India's decision to support and expand this program with its own grain reserves, CARE no longer has to provide Title II commodities for these agricultural works projects.
>
> In 1972, CARE and the Sri Lanka Ministries of Health and Agriculture made plans to provide a high protein food supplement to help combat malnutrition among women and children. Previously all the foods used in this program were P.L.480 commodities. With assistance from CARE, Sri Lankan farmers began to grow soya beans. Corn was imported by CARE under P.L.480. A low-cost extrusion plant was constructed in Sri Lanka and the soya beans and corn were processed and blended with a vitamin-mineral pre-mix. Today, that plant produces 10,000 metric tons annually and meets a substantial portion of the need for high protein food supplements for distribution to maternal-child health clinics in Sri Lanka.

The American public has long realized the value of the P.L.480 program. It has appreciated the dedication and the effeciency with which voluntary agencies have attempted to administer the Title II programs. During late 1979 the Gallup organization, in conjunction with Potomac Associates, undertook a survey of the views of the American public on World Hunger and the role that the U.S. should play in its alleviation. To the question of what kind of agency would be preferred it the amount of aid to less developed countries were increased, 45% of the respondents voted for giving it "through voluntary organizations such as CARE or religious organizations"; 33% preferred international organizations (for example, The World Bank or the United Nations), and only 18% preferred adding the increased funds to official United States Government Foreign Aid.

Conclusion and Proposals

Deep cuts were made in the FY 1982 P.L.480, Title II Budget. These cuts are currently effecting both the quantity and quality of the foods made available to nutritionally vulnerable groups in the Third World. Substantial additional cuts have been proposed for FY 1983. Both the Title II annual minimum quantity of 1,700,000 metric tons, the sub-minimum of 1,200,000 metric tons for non-emergency programs and the nutritional quality of these commodities - all provisions recently mandated or renewed by the Congress - are all in jeopardy if this Committee accepts the proposed FY 1983 budget reductions.

It was recognized by the Congress some years ago that CARE and other agencies, involved in the distribution of Title II commodities to programs for vulnerable groups required a constant, stable and long term commitment if such assistance was to have its desired impact in contributing to the alleviation of hunger and poverty. The attached Title II Fact Sheet illustrates the human impact of further budget reductions.

We in CARE have tried to maintain recipient levels by changing from fortified cereals to whole grains. Our decision to do so has caused an undesirable ripple effect both at home and abroad. The mills at home which fortify and blend these foods lose business and the nutritional benefits to the poor are sacrificed.

We plan to request the appropriate Committees of the Congress to consider raising the 1.7 million metric tons annual minimum to 2 million metric tons over the next four years through annual increments of 75,000 metric tons.

Mr. Chairman, here are our concrete recommendations:

1.	Additional funding required to meet the 1.7 million metric ton minimum..............	$60 million
2.	Added annual increment of 75,000 metric tons needed to meet 2 million metric ton minimum by 1985..............................	$45 million
3.	Continued humanitarian food assistance to Poland....................................	$40 million
	Sub-Total......	$145 million
4.	Add to Administration's Appropriations Request..................................	$650 million
	Total......	$795 million

Mr. Chairman, I wish to thank you and the members of your Committee for giving us this opportunity to express our views about the proposed FY 1983 Title II appropriations level. We would appreciate having the opportunity to submit further information to the Committee before it concludes its responsibilities with reference to P.L.480, Title II appropriations. I'll be pleased to try to answer any questions you might have at this time.

CARE.
PROGRAM LIAISON OFFICE

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FOOD FOR PEACE

P.L. 480, Title II

Fact Sheet

EFFECT on BENEFICIARIES of CUTS in FOOD FOR PEACE

Background information:

The average daily ration of Title II commodities is 80 grams of fortified cereal and 10 grams of oil. This provides almost 25% of the needed protein and 20% of the needed calories for a growing child.

10 metric tons of cereal plus 1440 kilos of oil provide rations for 400 beneficiaries for a year. This is at a total cost of less than $5000.00.

Putting the same information in other ways, the following facts emerge:

To provide almost 25% of the protein needs and 20% of the caloric requirement for a growing child the cost is less than 5¢ per day. The same nutritional supplement for a child for an entire year costs only $17.29 per annum!

$1,000,000 in FOOD FOR PEACE funds provides significant nutritional assistance to 60,000 persons per annum.

$1,000,000 provides 20,820,960 meals per day per annum!

In other words, cutting $1,000 from P.L. 480 cuts out nearly 60 people per year

-cutting $100,000 eliminates 6000 per year

-cutting $10,000,000 eliminates nearly 600,000 beneficiaries per year.

For a dollar a day, 20 people receive enough supplement to make a substantial difference in their chance for health, personal development and even survival!

CAN THIS PROGRAM AFFORD TO BE CUT?

Mr. DEVINE. Thank you. I am Frederick W. Devine. Mr. Campbell, our president, unfortunately could not be here today.

I would like to have the committee know the statement presented by CARE is being presented by the Material Resources Committee of the American Voluntary Agencies, of which I am the chairman.

Public Law 480, title II, has been in existence, as I am sure you are aware, for some 26 years. During that period of time, hundreds of millions of men, women, and children have been fed throughout the world. Last year Congress voted to earmark 1,700,000 tons of food under Public Law 480, title II, as a bare minimum for the use of private voluntary agencies and also the welfare program. We would like to urge this committee to continue that earmarking and appropriate enough moneys to assure the program continues without reduction.

Now we are in a budget crunch; we are all aware of that, but I would like the committee to realize that last fiscal year all of our voluntary agencies suffered a $100 million cut in their title II programs, and in this coming fiscal year, we will suffer more than another $100 million cut in grant equivalents, meaning we will be using just whole grains rather than nutritional foods that we need for our pregnant mothers and school lunch feeding programs alone. So we have sustained over a $200 million cut in this program for 2 past fiscal years.

We would like to urge also that you consider that at the moment it is costing the American taxpayer over $500 million to store dairy products and grain. These moneys could be, we feel, better spent in moving the commodities to title II distribution centers for use of our human dairy programs abroad.

About 2 years ago, a Gallup poll was taken by a special commission of the President. That poll showed that 45 percent of the American public wished their overseas programs to be distributed by private voluntary agencies; 33 percent indicated they wanted it to be distributed to specialized agencies of the United Nations; and only 18 percent indicated they wished their dollars to be used on a government-to-government basis.

The Gallup poll further stated that the American voluntary agencies could double their capacity for distributing food by 1985. I know that, because there has been some testimony by the various departments of Government that the agencies are at their maximum capacity, and this is not so.

In 1943 for instance, all voluntary agencies were distributing tons of title II commodities worldwide. We have sustained over 50-percent cuts since that time, since this coming fiscal year, we will probably only be distributing about 1,200,000 tons.

The need, as you know, is tremendous. The World Bank indicated in its last report that there are over 800 million people in this world that live on starvation diets, and we are reaching a very very small percentage of that number of people.

This ration here represents what we are able to provide a woman or a child overseas on a daily basis. It is 80 grams of grain and 10 grams of vegetable oil. It represents 25 percent of their daily diet, and that is about what we can do on what is available now. So we would like to urge that this committee consider continued appropriations so that we do, at least, receive the same amount this coming fiscal year.

I will be glad to answer any questions.

Senator ABDNOR. Certainly your organization has done very excellent work; I am sure some of us in the agriculture area feel we could give you more to distribute, because we have this tremendous surplus in this country.

Mr. Chairman, do you have anything to say?

Senator COCHRAN. I am curious about the status of any effort to get other nations, who are disposed as we are here in the United States, to help those who are less fortunate in other lands, to plan for a way to do a better job than has been done in coordinating food programs in the less developed world.

It just seems incredible to me that we have such surpluses here, and we in Congress try to deal with the problems of overproduction to get market prices up to a level where farmers can expect a profit from their operations, so that we can preserve the economic well-being of the agricultural sector. At the same time, you identify 800 million people who live elsewhere in the world who are bordering on starvation. I cannot believe that as bright and innovative as our people are here in the United States and as sensitive as I know European nations and other nations in Asia have been to problems of their less fortunate neighbors, that we cannot do a better job of coordinating efforts and helping meet some of these needs.

Is it because we have such a fragmented approach? Your group is involved; the United Nations has a program; we have government-to-government assistance. What is the matter?

Mr. DEVINE. I think there is a very coordinated program around the world. The EEC, for instance, contributes a great amount of commodities throughout the United Nations.

Other countries that have excess commodities make theirs available again on a coordinated basis. The foster agencies of the United Nations are programing in. There are coordinating councils, so that all the commodities received in any one given country are placed into programs, both humanitarian and developmental, that in fact insures the commodities are used for the best potential purpose.

But the problem primarily is that the need is so huge, as compared to the amount of commodities made available, that we are just about staying even. And as I indicated before, we are losing tremendous ground from 2,300,000 tons 10 years ago to 1,200,000 tons now, and with the level of population increases, the world need is getting even greater. There are some bright spots. India, for instance, as you know this past year, was able to once again build up its wheat reserves to about 18 million metric tons. They have followed the example set by them 5 years ago in using about 3,200,000 tons of their locally produced grain—what they are calling work for food projects—and these are all in the development field, and all used to increase agricultural production, to open up new lands, to use them for building dikes and flood areas.

Many other countries are following suit, so that the food for work programs, the food is being used for agricultural production.

But primarily, the problem is one of havoc, and unless we can assure most of the people in these developing lands that they have the basic human needs of adequate food, adequate clean water, health services, adequate education for their children, and adequate housing, I am afraid this condition is apt to continue for at least my generation, and probably for the next generation.

Senator COCHRAN. Although we have cut back on the amount of humanitarian assistance, have you perceived the slack to have been taken up by some other nations in Latin America or Asia or Europe which are now producing various surpluses of grain and food stuffs?

Mr. DEVINE. To some extent.

Senator COCHRAN. We are confronted with the reality of increased competitive strength among other grain-producing countries in the world in our efforts on the commercial side to market grain to consuming nations; therefore, I was wondering whether or not we are seeing a corresponding sensitivity among those producing nations to the obligation to the less fortunate around the world—countries such as Argentina, Australia, Canada, and others?

Mr. DEVINE. I would say that certainly is true, in the case of Australia and the European Community. I would not say that is true of Argentina. I may be wrong, but I do not know if they are providing any assistance.

But what should be done and restated absolutely is that it is the Public Law 480 program, titles I and II, initially that has helped to develop the huge agricultural market we have around the world today, and primarily because of the basic feeding programs that the volunteer agencies have. Our school lunch program where millions of children are fed a different kind of food each day, has changed the diet patterns of many countries. Rice-eating countries are not wheat-eating, as our statement will show; 80 of our largest importers of agricultural products from the United States today became that way because of Public Law 480, so that has been good business for the U.S. agricultural community.

Senator ABDNOR. Was there any noticeable change in the participation of the other countries or because of something like the Russian grain embargo—their grain becoming in great demand. Some of these countries did well, with the Americans holding their exports?

Is there any dropoff on the part of some of these surplus commodity countries in their participation in the program that you know of?

Mr. DEVINE. Not that I know of, Senator.

Senator ABDNOR. Thank you very much, Mr. Devine. We appreciate your coming today.

LIVESTOCK MARKETING ASSOCIATION

STATEMENT OF DENNIS R. BRADDOCK, EXECUTIVE COUNSEL, LIVESTOCK MARKETING ASSOCIATION

Senator ABDNOR. Our next witness is Mr. Dennis Braddock, executive counsel for the Livestock Marketing Association.

We welcome you to the committee, Mr. Braddock.

Mr. BRADDOCK. Mr. Chairman, I am Dennis Braddock, executive counsel of the Livestock Marketing Association; joining me in this statement is Mr. C. T. Sanders, general manager of the association, who could not be with us today.

The Livestock Marketing Association is a corporate business trade association comprised of some 1,700 marketers throughout the United States, Canada, and Mexico. Our subscribers in the United States are primarily livestock markets, commission firms, stockyard companies, dealers, or combinations of two or more of these categories. In addition to providing special services to subscribers in such fields as finance, insurance, communications, accounting, and business development, the Livestock Marketing Association also provides representation in all areas of government affairs including legislation and regulatory matters. It is in this latter capacity that I appear here today.

The trade group is very grateful to the subcommittee for this opportunity to present its views on specific items of appropriations as requested by the Department of Agriculture for fiscal year 1983.

We are not here to ask for money, which is an unusual situation. Unfortunately, unlike Mr. Wheeler, I do not have the administration to back me up here.

PACKERS AND STOCKYARDS ADMINISTRATION

The Packers and Stockyards Administration was returned to a separate agency status in the U.S. Department of Agriculture on June 17, 1981. Activities have remained the same in the administering of the Packers and Stockyards Act in two fields: One, livestock marketing; and two, packer and poultry activities. Our primary concern lies in livestock marketing.

The proposed budget requests $8,564,000 for administration of the Packers and Stockyards Act without any breakdown between livestock marketing and the packer and poultry activities. Overall, this represents a decrease of $242,000 from 1982 appropriations. A breakdown reflects an increase of $350,000 to restore pay cuts absorbed in fiscal year 1982, with the balance of $592,000 representing the total of lesser items under livestock marketing activities.

Such total of $592,000 is primarily based on savings represented to be accomplished under the proposed changes in regulations which are now pending on the basis of proposals for public comment. The largest amount represented to be saved is $411,000 which the agency represents it will achieve in not requiring bonds by dealers who do a volume of business amounting to less than $500,000 per year.

The 1983 budget justification in this respect is represented to the livestock industry as being the result of an internal task force study which includes proposed changes in specific regulations. The Livestock Marketing Association has sought public hearings on the entire Packers and Stockyards Administration task force report. All requests have been refused by the U.S. Department of Agriculture on the ground that an opportunity for comment will be afforded certain proposed changes when they are submitted under the provisions of the Administrative Procedure Act. Our best opportunity for comment appears to be before this committee, since the Packers and Stockyards Administration presumes certain changes regardless of procedure in terms of budget reduction justification.

The conclusion is apparent that the cost of the Packers and Stockyards Administration task force report exceeds many times over the proposed reduction in the budget of $242,000.

Our objections to the task force report have been filed with the House Livestock, Dairy and Poultry Subcommittee, and we ask leave to submit a copy of these for the information of this committee. I am not sure such a copy was submitted, and I have one here in case that was overlooked.

Senator ABDNOR. It will be retained in the subcommittee files.

OFFICE OF THE GENERAL COUNSEL

Mr. BRADDOCK. The budget request of the Office of General Counsel for fiscal year 1983 is $13,689,000 which represents an increase of $867,000 over the Appropriation Act for 1982.

A substantial part of the justification for such request is related to regulatory and marketing activities including administration and enforcement of the Packers and Stockyards Act. It is interesting to note that under its current activities, the Office of General Counsel refers to the task force report of the Packers and Stockyards Administration which requires two attorneys for ongoing legal assistance.

There are some 12 to 15 attorneys in the Office of General Counsel whose primary responsibilities are the assistance lent to the Packers and Stockyards Administration. This is not mentioned in the supporting information with regard to the budget of the agency, but it does represent an amount far in excess of the decrease which is sought to be documented.

The Livestock Marketing Association believes that a great deal of the expense of the Office of General Counsel in this respect could be saved through a far lesser number of attorneys working as they do in full time support of legal matters arising under the Packers and Stockyards Act.

JUDICIAL OFFICER

The U.S. Department of Agriculture is unique in having a judicial officer for the hearing of cases under certain regulatory laws administered by the Department of Agriculture. This is in addition to five administrative law judges assigned to the Department. It is not possible for us to ascertain the exact amount appearing in the budget for the costs incurred in this regard, since it is presumed that such item is included in the total amount under the heading of Department Management and Administration, where an additional item of $867,000 is requested for legal services necessary for new legislation, increased litigation, and policy changes.

We recommend a very simple saving in this respect in discontinuance of the position of funds for the judicial officer with all matters presently handled to be accomplished through the administrative law judges rather than the current appellate review of their opinions by the judicial officer.

CODE OF BUSINESS STANDARDS

In completing this statement, we would like to suggest to the committee that consideration should be given by the Packers and Stockyards Administration to the existence of the adopted code of business standards and practices which the Livestock Marketing Association has provided to that agency rather than a rejection of it which renders administration of its provisions more difficult.

Reliance and confidence upon the part of those businesses subject to the provisions of title III, stockyards, would result in an amazing saving of expenses and be much more meaningful than the proposals of the Packers and Stockyards Administration task force report. Further reference in this regard is made to the statement filed with the House Livestock, Dairy and Poultry Subcommittee with a copy submitted for information of this committee.

Thank you very much, Mr. Chairman, I will be happy to answer any questions you might have at this time.

Senator ABDNOR. Thank you, Mr. Braddock.

On page 2 of your statement you indicate the amount to be saved is $411,000; is that what you say?

Mr. BRADDOCK. We believe that $411,000 will be saved if they do implement the regulation they are proposing to change. Unfortunately, those regulations proposed were published in the Federal Register about 1 week before their budget was submitted, and they are assuming those regulations will be adopted as they have proposed them regardless of what is submitted on them. This is somewhat irregular, and we are not convinced those regulations will be adopted as proposed. If there could be corresponding regulations in the amount of savings expected to be achieved——

Senator ABDNOR. Is this a good proposal requiring dealers to do a volume of business less than $500,000 per year?

Mr. BRADDOCK. In the opinion of the Livestock Marketing Association it is not, and that is an opinion shared by some other organizations; although, I do not have access to all the comments submitted on that.

Senator ABDNOR. What is really behind that savings for the administration, or is it an unnecessary requirement?

Mr. BRADDOCK. It is our understanding they are trying to make some reductions in their spending, and this is one area they feel they can save some money.

However, there are a number of dealers out there who are small dealers, if they were to go under and not bounce back, then the producers of livestock would be in serious difficulty.

Senator ABDNOR. Is this not a great concern, or was it not a few years ago? Have we always had that requirement of bonding on the part of the marketing people?

Mr. BRADDOCK. Bonding is required in the act. There is a provision which allows them to forego bonding on packers under $0.5 million. They are trying to expand that also.

Senator COCHRAN. This is a problem area that has been brought to my attention by some of my constituents interested in seeing changes made in the act. It may be that legislation will be introduced to try to look at this concern. I do not know whether there is a consensus at this time that would result in a change in the law, but I am aware of the fact that there is an effort to develop this kind of consensus.

It may be inappropriate for this committee to try to do anything legislatively to circumvent providing of the law by language in the appropriation bill, but we will certainly be glad to keep a line of communications open with you. I know all the members of the subcommittee want to be sure that no one is put under the burden of unnecessary hardships just because agencies decide to implement new rules.

I think you should take a look at it, and your bringing it to the attention of the committee is appreciated.

Senator ABDNOR. Thank you very much.

NATIONAL COTTON COUNCIL

STATEMENT OF EDWARD BREIHAN, PRESIDENT, NATIONAL COTTON COUNCIL

Senator ABDNOR. Our next witness is Edward Breihan, president of the National Cotton Council.

We welcome you to the committee.

Mr. BREIHAN. Thank you. I am Edward Breihan, and I am testifying as president of the National Cotton Council which represents cotton producers, processors, and handlers from the Carolinas to California.

Our industry commends the administration for proposing a 10-percent overall increase in funding for agricultural research at the Federal level, even though the funds proposed for the State experiment stations will not even keep up with inflation.

COTTON RESEARCH

We are encouraged that this year the proposal includes a slight increase for cotton research, especially since no increase was made last year. The net effect, of course, has been a smaller share of research funding for cotton. Only because we support the effort to reduce Government spending, do we reluctantly agree to the continued decline in cotton's share of research funding. We trust that Congress and the administration will be able to provide for cotton's well-documented research needs in the future.

Fortunately, the administration's budget will enable critically needed cotton dust research—the industry's No. 1 priority—to continue at a strong level next fiscal year.

BOLL WEEVIL ERADICATION

We are especially interested in the proposed budget for APHIS—the Animal and Plant Health Inspection Service—which, as you know, took the lead role in the successful boll weevil eradication trial. Because the program substantially reduced growers' production costs, cotton acreage in the North Carolina trial area has tripled while that in the rest of the State has declined. Over 90 percent of the growers in the area recently voted to assess themselves $10 an acre for each of the next 3 years to protect the buffer zone to the south of them or to support extension of the program into South Carolina.

This extension was temporarily delayed when a recent grower referendum in South Carolina fell 13 votes short of the necessary two-thirds majority. North Carolina growers outside the eradication zone approved the plan, however. South Carolina producer leaders are convinced that the delay does not reflect grower doubts about undertaking eradication, but was due to low cotton prices, the depressed farm economy, and the requirements that producers put up 80 percent of the cost. They are confident growers will approve the program's extension when their economic situation improves.

We, therefore, strongly urge a $2½-million increase in the APHIS fiscal year 1983 boll weevil budget for use when the program is initiated. This would facilitate going forward with the program and would allow the Government's cost share to rise to at least 30 percent, which is in line with the lowest level of USDA participation in similar programs for other pests.

PINK BOLLWORM PROGRAM

APHIS, for many years, has operated a pink bollworm quarantine program to keep this highly damaging insect from spreading into noninfested areas. Elimination of this vital program—as proposed in the 1983 budget—threatens other cotton-growing areas with costly crop losses and control measures, and we strongly urge that it be restored.

California growers have already taken over from APHIS a larger part of the cost of the pink bollworm program in the San Joaquin Valley, and we think the agency should continue to keep this and related programs operating while research seeks better methods of control or eradication. In our view, restoration of the pink bollworm funding to the 1982 fiscal year level will enable APHIS' essential role on this pest to be maintained.

FOREIGN AGRICULTURAL SERVICE

Mr. Chairman, the cotton industry has a vital stake in foreign market development. And so we are especially pleased that the administration has proposed to increase the Foreign Agricultural Service budget for this purpose. Though additional funds could be used effectively, the amount proposed will help offset rising program costs and allow foreign market development for cotton to continue at a reasonable level.

Last year, Congress recognized the very important need for offering direct credit to our foreign customers when it amended the farm law to authorize an export credit revolving fund. But unless an appropriation is made to get the fund underway, this action by Congress will have been an empty gesture.

Low cotton prices and the large stocks of cotton on hand emphasize the need to utilize programs of this type which have proved to be so effective, yet result in little or no net cost to the U.S. taxpayers.

Most of our cotton exports go to the less-developed countries of the Far East which frequently need credit to buy cotton. If the United States can provide these countries with credit at the going interest rate, past experience proves it will tie their purchases to our cotton. We strongly urge you to make the needed funds available in the 1983 budget.

By adding the revolving fund to the private credit guarantees already in use, USDA can move far more aggressively and effectively in the credit area and this, in turn, will enable U.S. agriculture to take full advantage of its potential in overseas markets. Coupled with our research proposals, this will increase our efficiency, improve our Nation's trade balance, and further reduce inflation.

Thank you, Mr. Chairman and members of the committee, for giving us the opportunity to present our views.

Senator ABDNOR. Thank you.

I would turn to my colleague, Mr. Chairman.

Senator COCHRAN. Mr. Breihan, we are glad you are here today. We appreciate your colleague, Randy Jones being here. I have a high regard for him, and we appreciate your assistance to the committee with the testimony that you have presented to us.

Has there been any decision made by the Cotton Council about the appropriate level of funding for the export credit revolving fund—one that would actually do some good in giving us a chance to assess how well that helps in our export market development program?

Mr. BREIHAN. I think that is a good starting point.

Senator COCHRAN. I have heard $600 million, and some say if we could get $250 million or even $200 million appropriated to start the fund, that we would then be able to assess how well that works in providing more flexibility in helping put together some sales.

Mr. BREIHAN. I am sure that any amount in the range from $200 to $500 million would be helpful, and if the repayments on the present loans were immediately channeled into that fund, it would certainly be helpful.

Senator COCHRAN. We have one problem, I think, that complicates the matter, and that is the fact that the Commodity Credit Corporation had to receive a supplemental appropriation bill earlier this year of $5 billion to reimburse it for losses realized by the corporation in the operation of its business. We could very easily run into some opposition from those who would think that we were already putting a good deal of Federal resources behind our credit programs.

What would be a good answer to those who might challenge the appropriations on that ground?

Mr. BREIHAN. Well, I think, Senator, as far as cotton is concerned, there has been no loss to date on the credit that has been extended for cotton exports. So I think we are saying that our record to date is almost clean; principal plus the interest on credit extended for cotton exports has been repaid as it matured.

Senator COCHRAN. I am glad they also have your expertise about the balance that has to exist in the allocation of research dollars. I am convinced that this is an area where the committee will realize its obligations and provide adequate funding for research.

It was good to see the administration ask for increased funding levels for research. Your pointing out that cotton research has not been increased as much as some of the other areas, is helpful to us, because I think we want to make sure there is an appropriate balance in the allocation of funding for all of our research projects. It is the key to productivity and efficiency of operation, and those are good investments to make, in my judgment, to help secure the long-range economic well-being of agriculture and cotton in particular.

Mr. BREIHAN. I think other than the two or three programs we pointed out here, we will work within the framework of what has been appropriated. We could use a little more help on those two programs.

Senator COCHRAN. Good to see you here.

Senator ABDNOR. Thank you, we appreciate your testimony today.

[The statement follows:]

PREPARED STATEMENT OF EDWARD BREIHAN
PRESIDENT

NATIONAL COTTON COUNCIL OF AMERICA

I am Edward Breihan, President and General Manager of Plains Cooperative Oil Mill in Lubbock, Texas. I serve this year as President of the National Cotton Council in whose behalf I appear.

The Council is the central organization of the cotton industry, representing growers, ginners, warehousemen, cottonseed crushers, merchants, cooperatives, and textile manufacturers from the Carolinas to California.

We want to commend the Administration for again recognizing that agricultural research is an essential element in holding down inflation because it reduces costs and increases productivity.

Figures put together by Economist B. R. Eddleman of Mississippi State University attest to the fact that consumers are the people who benefit most from agricultural research. As an example, he shows that a family making $10,000 a year pays a combined federal and state tax of six dollars for agricultural research. In return, the family gets over $20 of benefits from that research in terms of lower cost and improved quality.

We strongly support the Administration's proposal to increase funding for agricultural research at the federal level by 10 percent. We note, however, that funds proposed for the state experiment stations, with a 5 percent increase, will not offset the impact of inflation.

We are encouraged that this year, cotton research funds also were increased -- even though the proposed increase is below the overall 10 percent. You will remember that cotton got no increase at all last year, and only because we supported the effort to reduce government spending and deficits did we reluctantly agree to the continued decline in cotton's share of research funding. But as we said last year, we trust that the Congress and the Administration will remember our position and will provide for needed cotton research in the future.

These needs are well documented in a comprehensive report issued by federal, state, and industry scientists in 1980 and reviewed in a meeting just six weeks ago. So, gentlemen, we are not just looking for dollars to scatter around. Important, well-thought-out cotton research projects are awaiting funding.

Fortunately, the Administration's budget will enable critically-needed cotton dust research to continue at a strong level next fiscal year. This research, with major implications for both cost savings and worker health, has been -- and remains -- the No. 1 priority of the cotton industry.

Mr. Chairman, we also would like to comment on the proposed budget for APHIS -- the Animal and Plant Health Inspection Service. This agency, as you know, took the lead role in the boll weevil eradication trial in North Carolina and Virginia, a program which has been of great interest to you.

The eradication trial was eminently successful, and elimination of the weevil has tremendously reduced growers' production costs. Evidence of this is borne out by the fact that cotton acreage in the eradication zone has tripled since the beginning of the trial, while acreage in the rest of the state has declined. More than 90 percent of the growers in the eradication zone recently voted to assess themselves $10 an acre for each of the next three years to protect the buffer zone to the south of them, or to support extension of the eradication area into South Carolina.

Plans for this extension were temporarily delayed when a grower referendum in South Carolina fell 13 votes short of the necessary two-thirds majority. North Carolina growers outside the eradication trial area approved the plan, however. Producer leaders in South Carolina are convinced that the delay does not reflect any doubt by growers about wanting eradication. Instead, they say, it was due to low cotton prices, the depressed farm economy, high interest rates, and the requirement that producers put up 80 percent of the cost. Producer leaders are confident growers will approve extension of the program when their economic situation improves.

For this reason, we strongly urge that the APHIS boll weevil budget for fiscal 1983 be increased by two and a half million dollars for use when the program is initiated. This would greatly facilitate going forward with the program and would allow the government's share of the cost to be at least 30 percent, which is most reasonable and in line with the lowest level of USDA participation in similar programs for other agricultural pests.

For many years, APHIS has operated a pink bollworm quarantine program to contain this highly damaging insect and keep it from spreading into non-infested areas. Elimination of this vital program -- as proposed in the 1983 budget -- threatens other cotton-growing areas with costly crop losses and control measures. We, therefore, strongly urge this Committee to restore this essential program.

California growers have already taken over from APHIS a larger part of the cost of the pink bollworm program in the San Joaquin Valley. We feel the agency should continue funding at a sufficient level to keep this and related programs operating while research seeks better methods of control or a means of eradication. In our view, restoration of pink bollworm funding to the FY '82 level will enable APHIS' essential role on this pest to be maintained.

Mr. Chairman, the cotton industry also has a vital stake in foreign market development. And so we are especially pleased to see that the Administration has proposed to increase the Foreign Agriculture Service budget for this purpose. Though additional funds could be used effectively, the amount proposed will help offset rising program costs and enable foreign market development for cotton to continue at a reasonable level through industry cooperation.

The very important need for offering direct credit to our foreign customers was recognized by Congress last year when it amended the farm law to authorize an export credit revolving fund. Unless an appropriation is made to get the fund underway, however, this action by Congress will have been an empty gesture.

Low cotton prices and the large stocks of cotton now on hand emphasize the need to utilize programs of this type which have proven to be so effective, yet result in very little net cost to U. S. taxpayers — and in cotton's case, no net cost.

As you know, most of our cotton exports go to the less developed countries of the Far East which frequently need credit in order to buy cotton. If the United States can provide this credit at the going interest rate, our past experience proves that it will tie their purchases to U. S. cotton. We urge you to make the needed funds available in the 1983 budget.

By adding the revolving fund to the private credit guarantees already in use, USDA can move far more aggressively and effectively in the credit area. This, in turn, will enable U. S. agriculture to take full advantage of its potential in overseas markets. Coupled with our research proposals, this will increase our efficiency, improve our nation's trade balance, and further reduce inflation.

Thank you, Mr. Chairman and members of this Committee, for giving us the opportunity to present our views.

NATIONAL ASSOCIATION OF WHEAT GROWERS

STATEMENT OF WAYNE K. NELSON, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

ACCOMPANIED BY MARGIE WILLIAMS, DIRECTOR, GOVERNMENTAL AFFAIRS

Senator ABDNOR. Our next witness is Wayne K. Nelson, president of National Association of Wheat Growers.

We welcome you to the committee.

Mr. NELSON. I have with me Margie Williams from our Washington staff, who is director of governmental affairs.

Senator ABDNOR. Your entire statement will be placed into the record, and you may proceed any way you care to.

Mr. NELSON. I am pleased to have this opportunity to express the views of the National Association of Wheat Growers in regard to funding the programs under the jurisdiction of the U.S. Department of Agriculture. My comments are wide-ranging, but will certainly not address all of the programs which benefit the wheat industry, and which we consider to be essential. Rather, I will comment on those which have been particularly underfunded in the administration's budget request for fiscal year 1983 or which, we believe, need special attention from the committee.

FAS MARKET DEVELOPMENT PROGRAMS

The NAWG has been gratified to note administration proposals for a $4 million increase in funding for export market development carried out under the Foreign Agricultural Service. This will represent approximately a 10-percent increase in the cooperator program, of which NAWG's affiliate organization, U.S. Wheat Associates, is a participant. Wheat exports have doubled in the past decade, and this has occurred largely through the market expansion efforts of USWA's predecessor organizations, Great Plains Wheat and Western Wheat Associates, and USWA itself since its formation in 1980. It is vital that this work receive constant and growing budgetary support, just as wheat growers have continuously increased their contributions to the FAS cooperator program. Exports are the lifeblood of the farm economy, and the farm economy makes an enormous contribution to the general economic well-being of the entire nation.

EXPORT CREDIT PROGRAMS

A program that should receive the highest priority in new funding for fiscal year 1983 is the direct export credit program to be operated by CCC and which was authorized in the 1981 farm bill. A similar program was discontinued by Secretary Bergland in 1981, and a credit guarantee program was established to take its place. In fact, both programs are needed to service the financing needs of many potential grain customers faced with severe cash shortages.

During the period 1956 to 1980, $9.2 billion of direct export credits were extended through the GSM–5 direct credit program, and the program experienced an excellent repayment record. Interest charges on the loans resulted in income to the Government, as well. The direct credit program boasts an excellent record for building commercial trading ties with cash-starved developing countries. Even now, there is a list of at least 24 countries which would increase their wheat imports substantially if they had access to direct export financing.

CCC's GSM–102 program, which guarantees 98 percent of the principal of a commercial loan and up to 6 percent of the interest, is also an attractive financing tool for many importers. A ceiling on outstanding commitments has been set by the Secretary of Agriculture at $2.5 billion, but the NAWG feels that a more realistic ceiling on this program would be $4 billion. We do not believe that the recent Polish repayment delinquency under this program will be representative of other program participants. There will be few occasions when it will become necessary for CCC to reimburse commercial financial institutions for loan defaults, so that an increased commitment ceiling will have little impact on actual CCC outlays.

PUBLIC LAW 480 PROGRAM

It has been increasingly evident that Congress is losing sight of the importance of the Public Law 480 program as a market builder, as well as a food aid mechanism. Under the proposed outlays for the program in the President's budget request, commodity shipments would slip from 5.1 million metric tons to 4.9 million metric tons, in spite of the fact that farm prices will be below those of last year. We urge the committee to fund this important program so that shipments can be increased, in order to meet our food aid commitments abroad and to build lasting ties with emerging Nations in need of continuous food imports. The committee should bear in mind that cargo preference requirements are an increasingly expensive element of Public Law 480 shipments, as U.S.-flag vessel shipment costs rise in proportion to foreign-flag vessels. This is a burden which the agricultural sector has borne for some time and is particularly troublesome presently, as export outlets are so desperately needed to absorb some of the Nation's grain surplus.

FEDERAL GRAIN INSPECTION USER FEES

User fees have become the hallmark of the administration's efforts to reduce Federal expenditures, resting on the philosophy that users of Government services should pay for them. In some areas, the transition to users fees has resulted in lower income than anticipated, and thus needed services have been reduced or eliminated. This situation is occurring within some program areas of the Federal Grain Inspection Service and has slowed inspection and weighing activities of export grain. Grain farmers are dependent upon a vibrant export market for their income, and any serious slowdown in meeting export commitments threatens future growth of export markets.

We are very concerned about the present and future conduct of the Nation's grain inspection and weighing systems under the existing user fee program. The transfer of all cost recovery to users in 1981 has substantially increased the level of FGIS fees, and it has led to a reduction in official inspections. Revenues from user fees have also been reduced by the decline in grain exports during 1981–82, and we are told that a further increase in fees will be required. In short, increasing costs encourage users to seek unofficial inspections, and the cost of supporting the FGIS program must then be carried by fewer users. We hope that we are not moving in a direction that will make us unable in the future to boast of the quality of U.S. grain and the integrity of the U.S. marketing system.

USDA PUBLICATIONS

The ramifications of the Agriculture Department's proposal to save something in the neighborhood of $6 million by dropping some publications and implementing subscription fees for numerous other reports have largely been ignored.

The notion that the Government can even partially rid itself of budgetary problems by charging farmers and others for vital statistical information is absurd. The result of this policy will be as damaging as it is predictable; necessary information will flow only to those who are able and willing to pay for it, and those who probably need it the most—the farmers—are not likely to be listed in this group. I expect that this group could become rather exclusive, perhaps to the point that the Agriculture Department may no longer feel that the number of "users" receiving specific publications justify the continued collection and printing of this information. Then, valuable information relied on by farmers, industry, governments and world organizations will be lost.

CONSERVATION PROGRAMS

The President's budget would reduce spending for the agricultural conservation program, which we believe to be unwise policy. The Secretary's recommended conservation program announced last fall would place the highest priority on the Nation's soil erosion problems, and we believe that the ACP program is a vital mechanism for accomplishing this objective, with a proven record of performance. We, therefore, endorse the recommendation of the House Agriculture Committee—that ACP funding be maintained at least at the fiscal year 1982 level.

We are also concerned that the President's budget would significantly cut funding for the Great Plains conservation program administered through the Soil Conservation Service. Funding for this program should at least be maintained at fiscal year 1982 levels, as recommended by the House Agriculture Committee.

We would also request that the Secretary implement the provision of the 1981 farm bill authorizing resource conservation loans through the Commodity Credit Corporation. Fiscal year 1983 funding should be set at no less than $50 million.

The 1981 farm law also authorizes a special areas conservation program, which would be applied in regions suffering the most critical erosion problems. We endorse the House Agriculture Committee's recommendation that funding be made available for implementation of this new program at a level of $10 million.

RESEARCH

The NAWG is encouraged by the President's recommendation to increase overall agricultural research funding through the Agricultural Research Service. We note, however, that this increase is at the expense of the Cooperative State Research Service and Extension Service, and we, therefore, endorse the House Agriculture Committee recommended shift of certain low-priority funds from ARS to CSRS and the Extension Service.

We are particularly concerned that the USDA-proposed Extension Service budget would reduce the staffing at the national level to the level of skeleton or liaison by 1985.

The Extension Service is a vital asset to the American farmer in keeping pace with the dramatic changes taking place in production, marketing, and financial management. I realize the budget proposal only disbands Extension Service at the national level, not at the State and local level. Federal extension, however, plays a very important role in coordination of State and county educational programs and in the development of programs that have multi-State application. For example, we have worked for several years with an extension Wheat Industry Resource Committee where wheat growers meet directly with the national and State extension personnel to discuss the major problem areas facing a majority of wheat growers regardless of the location of their farming operation. Priorities are then established and educational programs are developed that can be incorporated in the individual States for direct use in solving local producer problems. This approach has brought together the farmer and the expertise of extension at the national, State, and county level.

This is one of many effective programs that has helped maintain a viable and productive agriculture in the United States. It has resulted in more effective programs and reduced cost by avoiding duplication by recreating similar programs in individual States.

The Federal Extension Service should be used as a model for demonstrating how the Federal, State, and local governments can gather in promoting the welfare of the Nation and individuals and should not be phased out as currently being planned.

Under the Extension Service program, we also recommend that $100,000 be allocated to technology transfer of the STEEP program in the Pacific Northwest. Much has been learned through STEEP's research program in conservation techniques for erosion-prone areas of the PNW, and this information must now be disseminated to farmers.

The NAWG has consistently endorsed research programs which would improve wheat quality. The United States is the world leader in exports of quality wheats, and we must insure the continuation of our prominent reputation. For this reason, we propose that the committee appropriate $50,000 for the research and development of an appropriate high quality wheat variety, with high protein and strong gluten levels, for cultivation in California. This accelerated wheat improvement program would largely be carried out by USDA's Western Wheat Quality Lab. California is a highly productive wheat State, with competitively priced export grain, and is seeking to assure its customers of a consistently high quality grain.

Other research vital to quality assurance of export grain is that which is currently being carried out in the Pacific Northwest wheat-producing States to eradicate TCK smut. The Chinese market is of particular importance to PNW wheat exporters, and the Chinese Government has become highly sensitized to earlier problems of PNW wheat showing evidence of TCK smut. We encourage the committee to maintain smut research, which is carried out under both ARS and CSRS, at fiscal year 1982 levels, realizing that the Chinese will be the single largest importer of U.S. wheat this year, and hold the promise of a continuously expanding market.

Thank you very much.

Senator ABDNOR. Thank you, Wayne, for your excellent presentation and comments.

User fees seem to be the conversation around Congress. Not only for agricultural areas. You did not mention user fees on inland waters which will be quite a fact here.

Mr. NELSON. Certainly.

Senator ABDNOR. Are user fees an extra cost to the farmer? For instance, are subscriptions for publications and things like that, quite costly? Was anyone given any figures as to the cost to the farmer for what they have now available to them at no cost?

Mr. NELSON. I do not know on an individual basis, but savings were supposed to be $6 million, and we feel that is not a large enough savings over the whole country to offset the chance that farmers might not get adequate information.

Senator ABDNOR. How about the inspection fees? Do you have any idea what the cost of that is, if they may use a lesser inspection?

Mr. NELSON. One thing that has happened is that, I think I mentioned, a lot of unofficial tests going on now.

Senator ABDNOR. Yes, sir.

Mr. NELSON. And there are a lot of grain companies that are doing their own testing and charging for that, because there is not the same abundance of Federal grain inspection tests available. In my area, a test on a truckload of wheat will run about $10 for the total cost of the truckload of wheat, and I am sure it depends on the area you are in.

Senator ABDNOR. Mr. Chairman, let me ask a question. We had quite a scandal a few years ago regarding exports. We may get our wheat sales into a lot of trouble with other countries because of misrepresented quality of our wheat. As I recall a few years ago we had——

Mr. NELSON. We are trying to protect the credibility of our wheat as being the best in the world as far as exports are concerned.

Senator ABDNOR. Has your organization discussed the export credit revolving fund?

Mr. NELSON. It is one of our high priorities, yes.

Senator ABDNOR. Do you think it will help considerably in marketing our products for foreign sales? Do you think there is potential for sales?

Mr. NELSON. I think so. The Philippines is one country that comes to mind, and right now I think, even with the current interest rates, they would have about a $50 million increase in buying from the United States if they had this credit available.

Senator ABDNOR. I was pleased to see the track record as good as it is on repayments on some of our past agreements. I often wonder about some of the lesser developed countries and poorer countries. But overall it has been very good, you say?

Mr. NELSON. I think it is, yes, Senator.

Senator ABDNOR. I will not go into any more.

Senator COCHRAN. What is the relationship between the National Association of Wheat Growers and the U.S. Wheat Association?

Mr. NELSON. The U.S. Wheat Association is made up of 13 State wheat commissions, and the National Association of Wheat Growers is made up of 16 State grower organizations funded through membership in the different State organizations, and the checkoff funds in these 13 States are used to help fund U.S. Wheat Associates.

Senator COCHRAN. So it is those State commissions which contribute directly to the cooperator program that functions in connection with the Foreign Agricultural Service?

Mr. NELSON. Yes, through the central organization.

Senator COCHRAN. So the National Association of Wheat Growers does not actually participate as a cooperator?

Mr. NELSON. No, we do not.

Senator COCHRAN. Of the 16 States that make up your association, are they primarily in the western part of the United States?

Mr. NELSON. We are pretty well spread out—the Great Plains, the Pacific Northwest, Arizona and California—and we feel we represent all classes of wheat.

Senator COCHRAN. Do you have any members located east of the Mississippi River?

Mr. NELSON. No; there has been an increase, as you know, in production of wheat in the last 2 or 3 years in areas east of the Mississippi, and we are working in expanding our membership there. Hopefully, we will be able to do that.

Senator COCHRAN. Is there an organization of wheatgrowers in the eastern part of the United States, or in the Midwest?

Mr. NELSON. Not to my knowledge.

Senator ABDNOR. They have had a tremendous track record over the last few years in working with the Government. This has peaked here lately; it is more difficult and more competitive.

Mr. NELSON. All exports have been that way.

Senator ABDNOR. We could do away with some of the trade barriers in our foreign markets—unfair competition and the like. But there is a great potential for America to pick up sales in the Middle East? We have not done too well over there; have we?

Mr. NELSON. Well, we sold a lot of wheat to Iran and some durum to Algeria, but, of course, since the Iranian crisis that has been cut down quite a bit. I cannot give you figures as to what the exports are now, but this is for a lot of types of bread, like wheat grown in the Pacific Northwest; that is the type of wheat they use in their bread, and there is not much other wheat growing there.

Senator ABDNOR. I often thought there was a great potential for a market in the lesser developed countries. They have minerals that we feel we need in this country. I think that is something to look at and bring attention to. Because they have something we need, and they need our products. So we should take advantage of that.

Thank you, Wayne.

Mr. NELSON. Thank you, I appreciate the opportunity to be here.

NATIONAL CATTLEMEN'S ASSOCIATION

STATEMENT OF BURTON ELLER, VICE PRESIDENT, GOVERNMENTAL AFFAIRS, NATIONAL CATTLEMEN'S ASSOCIATION

PREPARED STATEMENT

Senator ABDNOR. Our last witness today is Burton Eller from the National Cattlemen's Association. Mr. Eller, your prepared statement will be included in the record at this point.

[The statement follows:]

NATIONAL CATTLEMEN'S ASSOCIATION

PREPARED STATEMENT

Presented by:

John Merrill

Crowley, Texas

The National Cattlemen's Association is the national spokesman for all segments of the nation's beef cattle industry — including cattle breeders, producers and feeders. The NCA represents approximately 245,000 professional cattlemen throughout the country. Membership includes individual members as well as 51 affiliated state cattle associations and 20 affiliated national breed organizations.

SUMMARY

RESEARCH & EXTENSION

1. PROJECT: Animal Health & Disease Research (Section 1433 of P.L. 95-113)
   ACTION REQUESTED: Fund at FY1982 level of $5.76 million.
2. PROJECT: Animal Damage Control (predators) research.
   ACTION REQUESTED: Needs to be funded at FY1982 level of $500,000.
3. PROJECT: Integrated Reproductive Management Project.
   ACTION REQUESTED: Earmark a total of $3 million ($1 million each from the FY1983 ARS, CSRS, & Extension budgets for this project).
4. PROJECT: Agriculture & Food Act of 1981 - Rangeland Research (subtitle M of Title XIV).
   ACTION REQUESTED: Fund at $6 million in FY1983 budget.
5. PROJECT: Renewable Resources Extension Act.
   ACTION REQUESTED: Restoration of $2 million in FY1983 budget.
6. PROJECT: Research in the basic physiology of range plants.
   ACTION REQUESTED: Add $600,000 to FY1983 budget for this purpose.
7. PROJECT: ARS grant to Mississippi State University for forage/livestock research.
   ACTION REQUESTED: Fund at $300,000 in FY1983 budget.
8. PROJECT: Range Specialist in the Extension Service Division of Natural Resources.
   ACTION REQUESTED: Continue funding of this position in FY1983 budget.

ANIMAL & PLANT HEALTH INSPECTION SERVICE (APHIS)

1. PROJECT: Brucellosis program.
   ACTION REQUESTED: Support Administration's proposed $31 million cut for FY1983, but not those proposed by OMB in FY1984 and beyond.
2. PROJECT: Control programs for predators, grasshoppers, mormon crickets, fire ants, rangeland caterpillars and scabies.
   ACTION REQUESTED: Contingency fund needs to be created to react to emergency situations in these areas.

FOREIGN AGRICULTURAL SERVICE (FAS)

PROJECT: FY1983 FAS budget.
ACTION REQUESTED: Support Administration's request to increase FY1983 FAS budget by $11.5 million over FY1982.

STATISTICAL REPORTING SERVICE (SRS)

PROJECT: FY1983 SRS budget.
ACTION REQUESTED: Support the FY1983 $2.058 million increase in the SRS budget as compared to FY1982.

COMMODITY FUTURES TRADING COMMISSION (CFTC)

PROJECT: FY1983 CFTC budget.
ACTION REQUESTED: More orderly phase-in of user fee proposal.

PACKERS & STOCKYARDS ADMINISTRATION (P&SA)

PROJECT: FY1983 P&SA budget.
ACTION REQUESTED: Require a minimum bond for all market agencies and dealers; size of bond required to be 1.5 percent of annual purchases.

PRIVATE LAND OWNER ISSUES

1. PROJECT: Soil and Water Conservation Act of 1977.
   ACTION REQUESTED: Support increased funding for technical assistance to farmers & ranchers for on-the-ground application of projects & techniques.
2. PROJECT: Forest and Rangeland Renewable Resources Planning Act of 1974.
   ACTION REQUESTED: Support reduced state & private cooperative forest program funding where programs infringe upon private management prerogatives.

HUMAN NUTRITION

1. PROJECT: FY1983 Human Nutrition Information Service (HNIS) budget.
   ACTION REQUESTED: Support the HNIS's request for $8.3 million in FY1983 budget.

2. PROJECT: Food & Nutrition Services (F&NS) Food Stamp Program.
   ACTION REQUESTED: Support the F&NS's request for $9.5 billion in FY1983 budget.

3. PROJECT: Food & Nutrition Service (F&NS) School Lunch Program.
   ACTION REQUESTED: Support F&NS's request for $9.0 million for commodity purchases in the FY1983.

RESEARCH & EXTENSION

The NCA encourages increased emphasis on research in basic animal physiology related to genetics, nutrition, health, and end product. We recommend funding of Animal Health and Disease Research under Section 1433 of P.L. 95-113 for 1983 at the previous year's level of $5,760,000. We note these monies are omitted from the Administration request, as in previous years, and trust the Congress will again provide this funding which has proved to be not only effective, but a great stimulus to increased activity funded by the states.

Other high priority items are research in safe and effective means of Animal Damage Control to prevent huge economic losses and increased emphasis in meat restructuring research and extension efforts to create integrated systems as exemplified by integrated pest management and integrated reproduction management systems. For example, the National Cattlemen's Association recommends that $3 million ($1 million each from ARS, CSRS and Extension) be earmarked to begin a coordinated integrated reproduction management project in FY1983. These funds can easily come from the nearly $30 million that already exists in the FY83 budget as component efforts within the various existing disciplines within these agencies. In addition, we expect close coordination and cooperation among reasearch and extension groups at all levels to increase cost effectiveness in problem solving and information delivery.

Research and extension efforts related to range and pasture are high priority for our industry and the nation. The NCA recommends the following in the area of federal rangeland research and extension programs:

1. Subtitle M, Rangeland Research, of Title TTIV contained in the Agriculture and Food Act of 1981 authorized $10 million per year in grants for rangeland research which was to be matched on a 1:1 basis with nonfederal funding to double the effect. To allow for budgeting restraints and a phase-in period, the NCA urges funding of Subtitle M at $6 million in 1983. Note that funds would not be expended unless matched by nonfederal funds.

2. Restoration of $2 million in 1983 funding of the Renewable Resources Extension Act for continuity of a much needed national range information program.

3. Addition of $600,000 in 1983 to ARS for research in the basic physiology of range plants.

4. Funding of $300,000 ARS grant in 1983 to be directed to Mississippi State University for forage/livestock research that would serve the entire southwest region of the United States.

5. Continued funding of one Range Specialist in the Extension Service Division of Natural Resources at the federal level.

ANIMAL & PLANT HEALTH INSPECTION SERVICE

The proposed APHIS budget recommends a reduction of almost $50 million for all programs. Sixty percent of this cut will come from proposed cuts in the brucellosis regulatory program.

The NCA supports the proposed APHIS budget. Our support for this reduced APHIS budget is not without careful consideration and concern for the effectiveness of the overall program.

The APHIS budget must have funds available and be flexible enough to enable APHIS to react quickly and effectively to emergency situations such as infectous disease outbreaks and insect infestations. In addition, NCA urged creation of contingency funds to control programs for predators, grasshoppers, mormon crickets, fire ants, rangeland caterpillars and scabies.

The number one concern of the beef cattle industry is the proposed $31 million reduction in the brucellosis program. The NCA believes that with proper coordination and management, a reduction of this magnitude can be accomplished without compromising a brucellosis control program with a goal of eventual eradication. For this goal to be achievable, maximum emphasis must be put on vaccination as a preventative measure.

However, the NCA does not support the Office of Management and Budget's rationale and projected drastic budget cuts for FY1984 and beyond which would virtually eliminate the brucellosis program. This program provides significant benefits to consumers through a more reliable beef supply and reduced human health hazards. It would be economically unsound to reduce brucellosis control efforts at this time when 99 percent of the U.S. cattle herds are free from the disease.

Under the FY1983 budget, the goals of APHIS in the brucellosis program are to:

1. Minimize the spread of the disease with emphasis in those states with a high incidence of the disease,
2. Limit the economic impact of brucellosis outbreaks,
3. Increase the financial participation of the industry and the states.

The NCA strongly urges that the beef cattle industry be allowed input to APHIS in re-defining the brucellosis program procedures necessitated by the budget reduction.

FOREIGN AGRICULTURAL SERVICE

The NCA supports the Foreign Agricultural Service's (FAS) FY1983 budget of $79.2 million, an increase of $11.5 million over FY1982, which will provide real growth for foreign market development activities as well as maintenance of other programs at the FY1982 level.

STATISTICAL REPORTING SERVICE

The Statistical Reporting Service (SRS) recently notified industry report users that 48 reports currently used in American agriculture would be discontinued or significantly revised in response to 1982 budget cut-backs. The primary objective of the SRS is to provide useful and timely statistical information to be used by agricultural producers and related industries in making management decisions. It has been our experience, that faced with a decision to change a report the SRS relies on staff input and cost considerations more than on industry input. With such an approach, considerable time and money is wasted as industry "fights" the SRS in congressional hearings, etc. over something that could have been resolved at an agency level.

The SRS is asking for an increase in its 1983 budget of $2½ million. We encourage Congress to approve this increase. However, as these increased funds become available we urge the SRS to contact appropriate industry report users to determine how this increase can best be used to give the most benefit to American agriculture.

COMMODITY FUTURES TRADING COMMISSION

The NCA supports the existence of the CFTC and its oversight functions of regulation, surveillance and education of futures trading. This role can best be accomplished by maintaining the CFTC as a separate, independent agency totally devoted to regulation of the futures industry.

The CFTC proposes to receive almost two-thirds of its 1983 budget through "user fees" imposed on contract users. The cattle industry has long supported this simple, common sense approach to paying for programs, and it supports the concept of "user fees" being considered. However, the CFTC is certainly taking a giant step, in one year, from no user fees to substantial user-fee financing of CFTC activities. The NCA recommends a more orderly phase-in period for the implementation of user fees which would require Congress to reassess the 1983 CFTC budget needs.

PACKERS & STOCKYARDS ADMINISTRATION

The NCA is opposed to the proposal in the Packers & Stockyards Administration's (P&SA) FY1983 budget to exempt market agencies buying on commission and dealers with annual purchases of less than $500,000 from maintaining bonds. This action would weaken the total bonding requirements and would undoubtedly increase the occurrence of financial default among smaller volume buyers.

The P&SA will save only $210,000 by dropping the low volume bonding requirements. In turn, this proposal would eliminate the bonding requirements for 3,207 of the 7,312, or 44 percent, of the dealers currently required to be bonded. If the minimum bond level was established at $10,000, this equals $32 million in bond protection that would be denied the cattle industry during a time when cattlemen need added protection (not less).

The NCA recommends that all market agencies and dealers be bonded, regardless of size, and that the bond requirements be increased from 0.8 percent of annual purchases to 1.5 percent. Additionally, the NCA recommends that a minimum bond of $10,000 be maintained. This action would almost double the bond protection to cattlemen without undue burden on the industry.

PRIVATE LANDOWNER ISSUES

The Soil and Water Resources Conservation Act of 1977 was passed by Congress to appraise the non-federal soil, water, and related resources of the nation and to develop a program to guide the activities of the Soil Conservation Service. The objective of any RCA program funded should be to assist landowners in applying and maintaining soil and water conservation systems that assure sustained productivity on all nonfederal cropland, rangeland, forestland, and pastureland. The highest priority in such a program should be to provide private landowners and operators with increased direct technical assistance from the Soil Conservation Service, working through soil and water conservation districts. A voluntary, cooperative program with cost sharing provisions that carefully avoid any infringement of private property rights, would be the most successful in achieving our soil and water conservation goals. The NCA testified before a Senate subcommittee in opposition to the government proposal which would add unnecessary new levels of bureaucracy at local, state and federal levels. The NCA support increased technical assistance to farmers and ranchers, funneled through the nation's 3,000 locally-governed conservation districts. The financial assistance should be patterned after the successful Great Plains Conservation Program.

The Forest and Rangeland Renewable Resources Planning Act, as amended, was passed by Congress in 1974 to assess the nation's forest and rangeland resources. However, there is great concern among private landowners that the United States Forest Service is attempting to expand into the many diverse areas already served by other federal, state, and local government entities. Such expansion of Forest Service activity on non-federal lands would duplicate and overlap the efforts of existing natural resource assistance programs now available to private landowners. The Forest Service should avoid infringing upon private management prerogatives.

HUMAN NUTRITION

The National Cattlemen's Association continues to believe the USDA is responsible under the "lead agency" concept for researching, developing and disseminating human nutrition information. The NCA supports the Human Nutrition Information Service's FY1983 budget request of $8.3 million, which is a decrease of about $900,000 from FY1983 level.

The Food Stamp Program began as a pilot project in 1960 and was made permanent by the Food Stamp Act of 1964. The program was designed to provide low-income households with the food-buying income necessary to purchase a nutritionally acceptable diet through regular market channels. This concept is a worthy one and constantly reviewed, and we, therefore, support the tightening of food stamp eligibility requirements as reflected in the Food and Nutrition Service's FY1983 request for $9.5 billion which is a reduction of about $1.8 billion from the FY1982 level.

The National School Lunch Program, authorized in 1946, is the largest of several federally funded child-feeding programs. The programs objectives are "to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food." The NCA supports the Food & Nutrition Service's FY1983 request for $9.0 million for commodity purchases for the school lunch program.

Mr. ELLER. I am pinch-hitting for John Merrill, who was under a doctor's care and could not make it here today. I am vice president of governmental affairs for the National Cattlemen's Association.

I realize that the hour is late, so I would like to briefly just run through our testimony in capsule form.

First of all, starting with research and extension, that is an area where we think a justifiable increase can certainly take place in the budget. We can then go through, perhaps, some cuts in the budget in other areas that we think we can support and take up the slack in other areas.

To begin with, the National Cattlemen's Association encourages increased emphasis on research in basic animal physiology related to genetics, nutrition, health and end product.

We would encourage high priority items, such as reproduction management systems to be given a high priority at USDA, whether it be cattle, sheep, hogs, dairy cows, or whatever.

Other high priority items are research in safe and effective means of animal damage control to prevent huge economic losses and increased emphasis in meat restructuring research and extension efforts to create integrated systems as exemplified by integrated pest management and integrated reproduction management systems. We recommend that $3 million, $1 million each from ARS, CSRS and Extension, be earmarked to begin a coordinated integrated reproduction management project in fiscal year 1983.

Another item that is of high priority would be funding at least to some extent of the subtitle M, rangeland research section of the farm bill. A stipulation on this act is that Federal money must be on a one-to-one participating basis by the States. We are proposing $6 million funding in 1983 as opposed to $10 million authorization, but it is key to this funding which would be spent unless the State comes up with a one-to-one non-Federal funding scheme.

We would urge the restoration of $2 million in the 1983 funding for the Renewable Resources Extension Act for a much needed information program. This would tie together with our urging of continued funding for a range specialist in the Extension Service division of the national research for the delivery of the information and technical base to our industry.

We would also encourage an addition of $600,000 in 1983 to the ARS budget for research in the basic physiology of range plants.

We would request funding of a $300,000 ARS grant in 1983 to be directed to Mississippi State University for forage and livestock research that would serve the entire southwest region of the United States. The thrust here would be to relieve the Southeast of its high dependence on nitrogen fertilizers and some of the greatest forages maintained in that region today.

APHIS BUDGET

Some of the areas that we think some cuts can be taken, Mr. Chairman, would be in the Animal and Plant Health Inspection Service.

We cautiously support the cuts in the APHIS budget. USDA has proposed almost $50 million be taken out of the APHIS budget, and 60 percent of this cut comes from the brucellosis regulatory program.

One of the high concerns—probably the No. 1 regulatory concern of the association is the brucellosis program and the proposed $31 million cut in that program. However, for the 1983 fiscal year, we believe with proper coordination, management, and reduction in overlapping between Federal, State, and industry throughout, we can make the $60 million proposal work.

I do not have it in our statement, Mr. Chairman, but I will be glad to give a list of eight steps for the record if you like, where the cattle industry proposes we might make this cut work and still have a brucellosis program.

Senator ABDNOR. We will make that a part of the record.

[The information follows:]

NATIONAL CATTLEMEN'S ASSOCIATION BOARD OF DIRECTORS' POSITION PAPER

The following eight-point position was adopted by the National Cattlemen's Association Board of Directors at its meeting, March 17, 1982, in Washington, D.C.

Relative to Brucellosis the NCA:

1. Endorses the President's goals in budget reductions for the brucellosis program in fiscal year 1983.
2. Does not agree with the elimination of the present brucellosis program. (Currently 99 percent of herds are free of brucellosis.)
3. Continue the goal of a program of control leading toward eventual eradication with maximum emphasis on vaccination.
4. Does not concur with the Office of Management and Budget's plan to eliminate the program nor with the rationale given for doing so.
5. Insists the beef cattle industry be allowed input to APHIS in redefining procedures in light of reduced budget.
6. Recommends a redirection of program funds to the high incidence States.
7. Insists that APHIS take action needed to finalize labeling requirements for the new reduced dose strain 19 vaccine.
8. Request that implementation of the new U.M. & R.'s and relevant changes to the CFR be withheld until the fiscal year 1983 appropriations bill has been passed and signed into law. Review possible U.M. & R. changes at midyear meeting of the USAHA Brucellosis Committee.

Mr. ELLER. We feel we cannot, as OMB has proposed, eliminate the brucellosis program, because 99 percent of the herds are free of brucellosis. To eliminate the control would be to penalize 99 percent for the remaining 1 percent. We do not concur with OMB for 1984–85 and beyond, but we do, however, support the cuts for this one year.

We would hasten to add, however, that in the future APHIS must maintain a strong contingency fund. We must not, over the long haul, ignore control programs for predators, grasshoppers, Mormon crickets, fire ants, rangeland caterpillars, and scabies. Other programs over the years have been well administered.

FOREIGN AGRICULTURAL SERVICE

Quickly moving on to the Foreign Agricultural Service it is very important to us, and we support their current requests.

STATISTICAL REPORTING SERVICE

The Statistical Reporting Service has requested a $2 million increase, and we support that because of many of the economic and statistical services. SRS is the one that probably provides our industry with more information that we cannot gather ourselves than any other Federal service in the economic statistics area.

COMMODITY FUTURES TRADING COMMISSION

The Commodity Futures Trading Commission is up for reauthorization. We would endorse the user fee concept provided it is implemented in a more orderly phase-in manner to be able to determine what pitfalls may arise as we institute a user fee on CFTC.

PACKERS AND STOCKYARDS ADMINISTRATION

We support the Packers and Stockyards Administration budget request which is reduced this year; however, we would concur with earlier testimony that would disagree with some of P&SA's presumptions. The NCA feels bonding requirement is necessary, and we will be working toward that end.

RESOURCES CONSERVATION ACT

The Soil and Water Resources Conservation Act of 1977 known as the RCA is getting a lot of profile at the U.S. Department of Agriculture right now. We in the cattle industry, which make up the largest number of landowners in the United States, support increased funding for technical assistance for on-the-ground application of projects and techniques as opposed to handouts for cooperative programs by the Federal Government in order to force private landowners' decisions one way or the other. We think the private landowner will make the right decision.

The same is true with the Forest and Rangeland Renewable Resources Planning Act. If that starts infiltrating and preventing the private landowner from making his own prerogative decisions, then we will ask that those funds for that process be reduced in the future.

HUMAN NUTRITION

To wrap up, we like what we see in much of the human nutrition area. Rather than being an advocate at this time, it appears this service, as well as many other programs, are educational and informational services, as perhaps was the intent originally of the USDA.

We also support the basic food stamp and school lunch programs for the continuing year, and have asked, since our commodity is involved very much with those programs, to be given the opportunity to work with the Department as those programs are developed over the next funding years down the road.

Thank you, Mr. Chairman.

Senator ABDNOR. Thank you, Mr. Eller, for that very encompassing statement. You set out your group's stand on the various issues and that is very, very helpful to us. We certainly know the cattle industry makes a great contribution to this country and to the world. It gives us a chance to really distribute our product to other parts of the world.

I notice you and I have the same concern with the Packers and Stockyards Administration proposal to drop agencies with purchases of less than $500,000. That could present a real problem. I do not know how many of that type exists for businesses in the country, but I would guess a great many.

Mr. ELLER. There are, and if you sold all of your calves off to one of those, no matter how small he is, and he defaults, it is the same as defaulting by a large operator.

Senator ABDNOR. Just a few minutes ago we had the National Association of Wheat Growers, and we were talking about some of the States that have the checkoff. Is there a lot of that in cattle, or have they pretty well voted that down?

Mr. ELLER. It was voted down on a national level. There are several States—20-some in fact—that have their own checkoff programs for research, promotion, and education. That is funneled through the National Livestock and Meat Board, which is analogous to the wheat association except for a different function. That is basically only for research, education, and information.

We as an industry support the Meat Export Federation for export and training activities—that is the Meat Export Federation that is funded by the cattlemen, pork producers, sheep producers, and meat packers and processors.

Senator ABDNOR. That might be one of the ways we will have to keep going. If we have to keep making cuts in our Government spending, I think more and more that the various groups, including cattlemen, and other large businesses will have to devote much of their sales to research and development. I have seen it out my way; we turned it down. I strongly supported it, because it is a major business. However, for some reason we just lost sight of that. But I think that might be turned around.

Mr. ELLER. It is interesting that it was voted down twice on the national level, but within the last year, approximately 12 of those 23 States have increased their State checkoff by 100 to 200 percent. Some have gone from 10 to 25 cents per head market. Texas went from 50 cents to $1. California enacted legislation recently to tax all, or check off all State meat plus all meat coming in, and all of this money would be sent to the National Livestock and Meat Board for research and promotion.

Senator COCHRAN. I want to commend you, Mr. Eller, and the association for the information you are providing to the committee with respect to the brucellosis program. That has been a very serious concern to many of us about how we are going to adequately control and, hopefully, eradicate that problem with the level of funding that is given to the committee in this year's budget.

I notice you are supporting the proposed reduction of spending for the brucellosis program. I have some concerns about that, and I am going to be very interested in reviewing the points you are providing to the committee on how we can still have an effective control program with that level of funding. I know people in my State and other States are running into some problems there.

I hope we can work together to solve that.

Mr. ELLER. Your State has one chance, and that is now. The producers are behind it; the dairymen are behind it; and your State and agriculture are behind it. They have this one-shot chance to get effective control procedures down there, and we would maintain that for the gulf coast region.

Senator COCHRAN. That is excellent work, and I commend you for it. I appreciate your comments about the forage program, and I am also glad to know that prices are strengthening. I guess that makes you happy; that is good news, and maybe that trend will continue and we can get the cattle farmers and ranchers back on an even keel. They have been losing money up to just recently, and that is looking up.

Mr. ELLER. Yes, sir; at least for the short run.

Senator ABDNOR. I hope it continues.

Well, thank you, Mr. Eller.

This concludes the afternoon hearing of the public witness testimony on the fiscal year 1983 budget for the Department of Agriculture and related agencies.

There will be further testimony from public witnesses tomorrow, April 20, right here in this room, starting at 9:30 a.m.

I want to thank today's many witnesses for their special efforts in providing informative testimony to this committee, as we approach the fiscal year 1983 budget as it relates to agriculture, rural development, and related agencies.

SUBCOMMITTEE RECESS

The subcommittee now stands in recess until tomorrow.

[Whereupon, at 5:05 p.m., Monday, April 19, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, April 20.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

TUESDAY, APRIL 20, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:40 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senator Cochran.

NONDEPARTMENTAL WITNESSES

COUNCIL FOR RURAL HOUSING AND DEVELOPMENT

STATEMENTS OF:

JAMES R. BILLINGSLEY, MEMBER, COUNCIL FOR RURAL HOUSING AND DEVELOPMENT

CHARLES L. EDSON, MEMBER, COUNCIL FOR RURAL HOUSING AND DEVELOPMENT

INTRODUCTION OF WITNESSES

Senator COCHRAN. The subcommittee will come to order.

We will continue, this morning, receiving testimony from public witnesses who have valuable information and views to share with the subcommittee about the budget requests of the present administration for programs and functions within our jurisdiction.

We welcome all of you and want you to know that the prepared statements that you have submitted to the committee will be made a part of the record in full, and because of the number of witnesses we have, we would hope you would be able to summarize or highlight your statement.

We should point out to witnesses that the subcommittee cannot receive any copyrighted materials for publication in our hearing record, unless arrangements have been made in advance by the witness to obtain permission of the copyright owner that those materials be included in the record. This notice is given to protect the copyright owners, as well as the subcommittee and witnesses. If privately copyrighted material is printed in the record, a notice of that must accompany the material, so that the public will not be misled.

Our first witnesses this morning are James R. Billingsley and Charles Edson, members of the Council for Rural Housing and Development.

We welcome you to the subcommittee.

RURAL HOUSING NEEDS

Mr. BILLINGSLEY. I am James Billingsley from Mississippi, and my purpose is representing the Council for Rural Housing which has 75,000 members nationwide. We are interested in the section 515 rural housing program. The testimony that we submitted has the facts and figures and the statistics to back up what we are saying here.

Our main concern, as is everyone else's, is that we are cognizant of the tremendous budget problems and the factors that enter into what is going to happen at some point this year. The proposal that the administration put forth of some $200 million for 5,000 units for all 50 States seems to us to be unrealistic, and we think we have a good program. We have been involved in it for a number of years, and we know it meets a definite need in the rural area, which I can personally attest to from our State.

I don't claim to know the situation in all States, but I do know what it does for our State. I would like to go on record, and so would our council, urging that funds be restored to the current level.

RESTRUCTURING OF RURAL HOUSING DELIVERY

There is a proposal, I understand, that would create a statewide housing authority, whereas the loans are still vested in the council and would be vested in the State.

We feel that at this point it has not been adequately explored. We feel that all the players have not had a chance to comment on it, and we would urge this committee to proceed with funding as it is now. We would also urge that if and when a certain proposal is made in the future, everyone will have enough time to fully digest what is in that proposal and to make comments on it.

I realize the committee has other things to talk about, but that in a nutshell is why I am here. I will be glad to answer any questions that I can.

PREPARED STATEMENT

Senator COCHRAN. Thank you Mr. Billingsley. Your statement will appear in the record in full.

[The statement follows:]

STATEMENT OF JAMES A. BILLINGSLEY

My name is James A. Billingsley. I am affiliated with Tri-State Development, Inc. of Corinth, Miss., and am an active member of the Council for Rural Housing and Development, on whose behalf I speak today.

As a matter of background, the council is composed of over 75 member organizations from all sections of the country who are developers under the section 515 program. Although we have been in existence just a little over a year, we have been quite active in both the legislative process and in working closely with Farmers Home to assure workable regulations and procedures.

RURAL HOUSING NEEDS

Although you may be generally familiar with rural housing needs, a few saliant facts bring into sharp focus the housing needs of rural America.

Family income in nonmetro areas, although growing, still lags significantly behind such income in metropolitan areas ($18,069 vs. $22,590). Although rural areas have only 26.7 percent of the Nation's population, they have 38.4 percent of those in poverty.

In nonmetro areas, 36 percent of renters who occupy adequate housing spend more than 30 percent of their income to do so. For very low income house renters, those below 50 percent of median, 78 percent of the renters occupying adequate housing have such affordability problems.

Nonmetro houses are twice as likely to have kitchen and heating defects, three times as likely to have plumbing defects, and ten times as likely to have inadequate sewage systems than homes located in metropolitan areas.

Although housing needs are greatest in rural America, the supply of credit to meet such needs is far less. A study found that in 1975 banks and savings and loan associations in large metropolitan areas had assets of $8,800 per capita—more than twice the $3,400 per capita in rural and nonmetro counties. In that same year, the savings and loans had deposits of $2,000 in capital in the larger metro counties, compared with only $70 per capita in totally rural, nonmetro counties, and $1,110 per capita in nonmetro counties.

It is this mismatch of high need and low resources to meet this need that impelled Congress in the Housing Act of 1949 to establish the farmers home section 502 home ownership program, and section 515 rental housing program. We who work actively on the section 515 program are proud of that program's record in meeting the needs of rural American renters. Since its 1949 inception, over 225,000 units of housing have been built. Of all the Federal programs, section 515 targets its assistance to those who need it most. A 1979 FmHA survey showed that nearly 85 percent of the occupants of section 515 projects had incomes under $9,000.

Section 515 is a cost-efficient program. For fiscal year 1981, the cost of a section 515 assisted unit was $29,314, compared with over $40,000 for a unit assisted under the section 8 program. The delinquency rate of the section 515 program is roughly 5 percent, and defaults are virtually nonexistent—a record unmatched by any other housing program.

In addition, section 515 results in good community development. The concentration of people in rental units can mean less Federal, State, and local tax dollars spent on streets and road construction and maintenance, sewer and water system construction, as well as public and school transportation. Also, money spent on section 515 creates a community asset that lasts for many years, as opposed to the one-shot assistance under most social service programs. Although there may be a turnover of tenants in a rental project, the apartment itself continues as a resource for low income tenants for at least 20 years.

With this background, we are here before the committee to urge a realistic funding level for fiscal year 1983.

FISCAL YEAR 1983 FUNDING

In view of the great need in rural areas, and the success of the section 515 program in meeting the need, we are aghast at the administration's proposal to cut section 515 funding from $940 million in fiscal year 1982, enough for approximately 29,400 units, to $200 million in fiscal year 1983, enough for only 5,740 units. Although we realize that we are in an era of financial stringency, few Federal programs have been asked to take the extreme cut that the section 515 program must under the administration's budget. As we stated before, there is no justification on a programmatic basis for such a cut—section 515 has been a high performance, high quality program, the source of virtually no public criticism during its 32 years of existence.

We urge the committee to fund the program at $940 million, the present program level. In addition, we urge that the present funding level of $398 million be maintained for the rural rental assistance program.

RESTRUCTURING OF RURAL HOUSING DELIVERY

Senator Schmitt, chairman of the Rural Housing Subcommittee of the Banking, Housing and Urban Affairs Committee, plans to introduce legislation that would significantly restructure the rural housing delivery system. It would confine FmHA to a lending agency only, and any Federal subsidy assistance would be in the form of block grants to State agencies.

In our statement to Senator Schmitt's subcommittee, we stressed that such a far-reaching proposal needs adequate time for deliberation and refinement. Accordingly, we urged his committee to defer consideration until next year to allow all parties the chance to participate in this important process. Likewise, this committee, in setting forth appropriations recommendations, should do so on the basis of current law, and not on the proposed restructuring.

We thank you for the opportunity to appear before you today, and would be pleased to answer any questions.

SECTION 515 PROGRAM

Senator COCHRAN. Do you have comments, Mr. Edson?

Mr. EDSON. In talking with Mr. Billingsley at breakfast, I was impressed with what the 515 program is doing for rental housing in rural Mississippi. I think the need for rental housing for those who can't buy or don't want to be burdened with home ownership is often overlooked.

The administration's budget will reduce the 515 program from $940 million this year to $200 million. I realize this is an era of stringency, but few domestic programs are being asked to take a 85-percent cut. Few domestic programs have had the exceptional track record as 515 in providing good housing without defaults. There is a saying in Mississippi that no good deed goes unpunished, and the same should be said about this program.

As far as the other matter Mr. Billingsley alluded to, Senator Schmitt is proposing a drastic restructuring of rural delivery systems for both multifamily, single family, and migrant workers, to allow Farmers Home to make market-rate loans and have the subsidy given out by a block grant program.

I think this is a radical departure. Legislative language has not been drafted, as far as I know, and I think it would be very, very unwise for the Senate to seriously consider the matter this year.

I know this is not a matter before the Appropriations Committee, but I hope you might use your good offices to seek a deferral of this radical restructuring of the program until there is more time for deliberations.

Thank you.

Senator COCHRAN. I suppose one of the reasons for the proposed reductions is the plan that the administration had developed to transfer housing responsibilities from the Farmers Home Administration to HUD. There have been some discussions about that by witnesses who testified before the subcommittee earlier. As a matter of fact, it was presumed HUD would be able to take up that slack, but no funds were going to be allocated for the 502 programs which come under the jurisdiction of Farmers Home Administration. And the other day, not because of the protests, but after some of us had signed letters and contacted the Department, the decision was made to continue Farmers

Home Administration's involvement in the programs for towns falling within those population categories of 10,000 to 20,000.

If I am not mistaken, your town was one of them.

Mr. BILLINGSLEY. Yes; that is right.

Senator COCHRAN. And Oxford, Starkville, and maybe others, I believe.

Mr. BILLINGSLEY. That is.

Senator COCHRAN. Those towns are in our State, and I am sure there are many other towns in the same situation around the country. It is encouraging, at least that, some reconsideration is being made of the role the Farmers Home Administration should be playing to assure adequacy of housing in rural American small towns where other financing is not available, and it is not available right now; we all know that.

I am sensitive to this problem too, and I appreciate your bringing it to the subcommittee's attention. I had not had an opportunity to discuss section 515 programs in any detail with any of the witnesses up to this point. According to your testimony, this program works, and you have indicated there is a delinquency rate of less than 5 percent, and defaults are virtually nonexistent. So, it sounds like the program has been a success.

What comment if any, do you have about the 502 programs? There have been changes in funding levels recommended specifically for the low income, as well as the moderate-income loans. Do you have any views about those programs and which, if any, should be given priority when it comes time for us to decide on a level of funding?

Mr. BILLINGSLEY. I have a personal view pertaining to the program that represents me, but I am very concerned, Senator, about people of our State. Loans are nonexistent within the mortgage credit situation as it is today. In rural communities if there is a house being built, it is being built by a wealthy individual or by the Farmers Home Administration.

I think there is a need for the very poor, the very deep subsidy, and I think the young working couple is having a terrible situation in purchasing a home right now. I am talking about a situation where a man and a wife are both working, and they are just a little bit above the minimum wage—where the combined income is $14,000 or $15,000—and they have two or three children. By the time they get through stretching all the money, they don't have any money.

I think that both sections must be addressed, and as to what agreements should be reached, I have no comment on that. But I think they both need addressing, especially for the young working couple. I have a kid 17 years old, and I worry about him 5 years from now.

Senator COCHRAN. I have heard from a group of home builders in our State that because of the high monthly payment required on the moderate-income program, there were no houses being built. People could not afford the high monthly payment; however, the other program was one that was still workable. The monthly payments were low enough so that the very low-income person could buy a house under that program. Is that your observation too?

Mr. BILLINGSLEY. Yes, sir.

Senator COCHRAN. So, no matter what level of funding we provide for the moderate-income level, in many areas of the State it won't help people because of the way the program is structured.

Mr. BILLINGSLEY. Right.

Senator COCHRAN. Well, I appreciate your being here, very much. You have been a big help to the committee. I was in your town Saturday night.

Mr. BILLINGSLEY. Yes, sir, I missed you; I am sorry to say.

Senator COCHRAN. Thank you for being here.

Mr. EDSON. Thank you very much, Senator.

NATIONAL RURAL HOUSING COALITION

STATEMENT OF ROBERT A. RAPOZA, LEGISLATIVE DIRECTOR, NATIONAL RURAL HOUSING COALITION, WASHINGTON, D.C.

Senator COCHRAN. The next witness is Robert Rapoza, legislative director of the National Rural Housing Coalition.

We have your statement, and we will put it in the record at this point. You may proceed.

[The statement follows:]

PREPARED STATEMENT OF ROBERT A. RAPOZA
LEGISLATIVE DIRECTOR
NATIONAL RURAL HOUSING COALITION

Mr. Chairman, my name is Robert A. Rapoza and I am the Legislative Director of the National Rural Housing Coalition, a private, nonprofit organization which lobbies on rural housing and community development issues. On behalf of our membership I want to thank you for the opportunity to appear before you today.

The Administration Fiscal 83 Budget Request

We are here today to express our deep concern about the Administration's FY 83 budget request for the rural housing and community facilities programs of Farmers Home Administration (FmHA) and the assisted housing programs of the Department of Housing and Urban Development (HUD). The Administration has set out on a clear course: destruction of all housing and community programs for low and moderate income people. If the FY 83 budget request is approved, we believe that the next step will be to dismantle FmHA, and its important mission: providing credit to rural America.

Rural Housing Need

Mr. Chairman, as you know there is a continuing need in rural America for the assistance of the federal government in providing housing for low income people. Over 40% of the nation's worst housing is in rural areas. And over 800 rural counties have no savings and loan institution; without the direct lending assistance of FmHA there would be virtually no lending for housing or community facilities. About 5% of the occupied units in urban areas are substandard, while 8.5% of the occupied units in rural areas are substandard.

You can go on and on with the numbers, but the basic fact is distressingly simple, Almost 2.5 million housing units in rural areas are substandard; that means between 8 and 10 million people live in bad housing. They will not escape without federal help. Further, the reduction in FmHA and HUD programs will be the death knell to the rural home builder, to many rural towns and most important to people living in inadequate housing. This nation can afford to fund rural housing at an adequate level.

PROPOSED SENATE RURAL HOUSING BILL

The staff of the Senate Rural Housing Subcommittee has developed a proposal which would alter radically the delivery of current rural housing programs. The proposal has two main features: Farmers Home Administration would provide credit for housing at market rate, while current FmHA subsidies (interest credits and grant programs) would be repealed and a percentage of funds allocated to the states. Rural areas are defined as towns of up to 10,000 population outside of SMSA's, and low income as adjusted gross income of no more than 80% of the area median income. States would be required a 10% match from their own funds. Rehabilitation would be the preferred use of funds, but others (including new construction and rental assistance) would supposedly be permitted. The allocation formula being proposed appears to be one that would increase the share of assistance going to the South and decrease that going to the West and (to a less extent) that going to the North Central and Northeast regions.

Also, the committee staff estimates that the cost of the block grant will be $300-500 million -- an amount equal to outlays for the President's FY '83 budget. If the President's budget is rejected, or greatly modified, as seems likely, and FY '82 levels are put into place, the level of the block grant would not rise from the President's request to the FY '82 level (about $1 billion). The staff recommendation, regardless of action by the budget committee, is a major reduction, $500-700 million, in funds for low income rural housing.

Such drastic surgery on the rural housing assistance system that has been developed over the past three decades is neither necessary nor desirable. In place of specific reforms for specific problems, the staff proposal amounts to an abandonment of past experience for a reckless experiment -- the costs of which will fall on the ill-housed low-income families of rural America:

- Housing assistance for lower-income people is a national responsibility (as declared in 1949's landmark bipartisan legislation). To turn operation of a federally financed program over to the states is to repudiate that basic statement of national purpose. It is also to abandon the logical mechanism for accountability in a national program and to invite instead the balkanization of policies and of benefit patterns.
- The rural housing block grant program is untested and actually a demonstration proposal. The small cities block grant program is also a demonstration, now underway, with over half of the states participating. Its results should
- be evaluated before disbanding a proven FmHA program and replacing it with a concurrent experiment.
- A proclaimed purpose of the proposed new system is improved targeting of assistance. But there is no explanation of why a legislative mandate aimed at the present administering agency wouldn't be more effective than one aimed at fifty different and sovereign states. In fact, past experience with block grants demonstrates that targeting has been eroded rather than improved.
- It is widely recognized (as in a recent Congressional Research Service study), that annual housing subsidies such as those proposed will not be effective in securing new

construction of assisted housing. Hence, the proposal's lip-service to new construction and rental assistance is not matched by any mechanism to serve that purpose.

- The Block Grant proposal splits rental subsidy from construction financing. Combining the two will demand cumbersome administrative requirements, added administrative costs, and difficulties for the consuming public, who are best served by a subsidy/financing package. It will mean an end to multi-family housing construction for the elderly and single family housing construction for low or moderate income families.
- FmHA is presently renewing Rental Assistance contracts to protect its rental housing investment and help low-income elderly, families and farmworkers. If future subsidies are locked into state block grant programs, what will happen when other Rental Assistance contracts expire?
- FmHA had Section 502 inventory on December 31, 1982, was 8,485 units. These units, as well as future inventory, cannot be successfully marketed without interest credit, which is eliminated under the proposal.
- FmHA will retain an unsubsidized credit program, which will produce housing beyond the affordability of its present clientele. As a result, the "lender of last resort" will instead become a competitor to private, middle-income mortgage sources.
- One apparent aspect of the staff proposal would be the abandonment of a significant but virtually costless subsidy mechanism: use of the federal government's efficiency in raising credit to reduce the costs of housing assistance. By forcing FmHA to lend at market rates when it can obtain credit at two-to-three percentage points less is to add an estimated $110 million to the cost of rural housing

assistance.* Unless a compensating amount is included in the block grant funding, there must either be a reduction in the amount is included in the block grant funding, there must either be a reduction in the number of units assisted (projected to be nearly 22,000 less at current subsidy costs), or else the program would have to serve higher income families (the reverse of its supposed purpose).

- Similarly, while farmworker housing assistance is mentioned as a possible use of block grant funds, states with major farmworker housing needs would not receive any extra funds. The near certainty will be abandonment of what has previously been considered a special housing responsibility of the national government.
- The FmHA delivery system is in place and effective. It encompasses 1960 county, 300 district and 46 state offices. The ability of statees to deliver housing in rural areas, particularly remote rural areas, is questionable. Their housing assistance, with a few exceptions, has gone primarily to urban and suburban areas. For example, in Maine FmHA has almost 30 counties that span the state providing services to rural people. Can the state afford to duplicate such a system, or should it given the existence of an established operating delivery system: FmHA. In short, we believe that the approach outlined by committee staff would serve to destroy a system and set of programs which have evolved over the last 40 years to serve rural people. Providing decent housing for rural low income people is not easy or cheap. However, the current program, while not without flaws, deserves to be maintained and strengthened, not scrapped.

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*The 2.68% difference between FmHA's cost of money (14.44%) and the conventional rate (17.25%) applied to the current FmHA loan levels (current service basis) equals $107.8 million.

Rural Water Need

Equally grave is the need for safe drinking water and adequate waste disposal systems. For 8 million rural people, both these basic amenities are beyond reach. About 95% of the houses without adequate plumbing are in rural America.

NRHC FY 83 RECOMMENDATIONS

FmHA

Generally, NRHC recommends that FY 82 levels for FmHA housing programs be retained. Most FmHA housing programs have been funded at about the same levels since 1979. (See dollar levels in the attachment.) A Significant reduction in units has already occurred, as represented in the figures below:

	FY 79	FY 82	FY 83 ADMIN	FY 83 NRHC
Section 502	110,382	83,771	20,100	76,433
Section 515	38,650	30,178	5,740	29,185

Some FmHA programs will need special attention.

- NRHC recommends an increase in funding for Self Help Housing. The self Help Housing Technical Assistance Grant Program (Section 523) operated at $13.2 million level in FY 81, producing about 3000 units of housing for low and moderate income people. Almost 80 organizations received 2 year grants to conduct self help housing programs. These grants will terminate during FY 83. The FY 82 appropriation of $3.95 million plus any additional carryover funds will be insufficient to continue the same unit level of production or to meet demand for new programs and increased production.

More than 70 grantees, housing authorities and non profit organizations, across the nation are helping low and moderate income rural households save over $9,000 per house over a contractor built Section 502 house. In rural America, self-help housing is the low and moderate income person's only opportunity for home ownership. To continue the existing program and fund applications on hand, NRHC recommends an appropriation of $20 million.

NRHC recommends the FY 82 level for Rental Assistance Funds. In order to ensure that FmHA rental programs (Section 515 and Section 514/516) do serve the most in need, NRHC recommends the use of five year contracts, as proposed, and on the following basis:

- $225 million for contract renewals and new contracts in existing projects. (21,350 units)
- $175 million specifically for contracts in newly constructed projects. (16,610 units)
- Of the 16,611 units, 1,000 be designated for priority use in the 514/516 Farm Labor Housing program.
- That FmHA be prohibited from requiring a dual market for new projects that will utilize rental assistance.
- That the tenant contribution for rural rental housing be maintained at current levels.

- NRHC recommends $5 million for Section 525.
  - For almost 20 years, the Department of Labor has funded, through CETA, 30 non profit organizations and public housing authorities operating in 20 states, to plan, package and construct FmHA and HUD financed housing for migrant and seasonal farmworkers. With the enactment of a new, reduced federal manpower program, it is unlikely that the resources will be available to continue this program. NRHC recommends that $5 million be authorized for Section 525 and that

report language be added, setting aside 50% of these funds for farmworker housing technical assistance.

- NRHC recommends $800 million for Rural Water and Waste Disposal.
  - FmHA funds for water and waste construction financing were reduced by almost 50% in FY 82. The virtual elimination of EDA and restriction of EPA by requiring greater local share, means further decreases in the overall resources for rural community facilities development. Infact, assuming the current level of funding, there are 5-6 years worth of applications presently on hand at FmHA.

    NRHC recommends an increase in FmHA water waste loans and grants to $800 million. This amount is 20% below FY 81 and a slight increase from FY 82 levels.
- NRHC recommends that FmHA staffing levels be increased to FY 81 levels.
  - FmHA staff was reduced by over 100 positions in FY 82 and is slated for further reductions in FY 83. The decrease when coupled with increased emphasis on delinquincies has resulted in less housing loan production. In many counties offices the housing programs have been shut down for months at a time while staff concentrate on delinquent borrowers. A better way to handle this situation would be to fund section 525, as recommended earlier for supervisory assistance, and allow FmHA staff to return to providing housing for people in need.

	FY 79	FY 82	ADMIN FY 83	NRHC RECOMMENDATIONS
Sec. 502 Homeownership Loans	$2,878,145	$2,730,000	$900,000	$2,700,000
Sec. 504 Low-Income Repair Loans	14,710	24,000	24,000	24,000
Sec. 504 Repair Grants	19,000	15,000	12,500	24,000
Sec. 514/516 Farm Labor Housing Loans and Grants	68,757	39,350	31,500	50,000
Sec. 515 Rural Rental Housing Loans	869,509	940,000	200,000	940,000
Sec 523 Self-Help Housing Grants	5,629	3,950	0	20,000
Sec. 523/524 Rural Housing Site Loans	4,682	5,000	2,000	7,000
Sec. 525 TSA Grants (inc. counseling)	2,500	0	0	5,000
TOTAL	$3,862,932	$3,757,300	$1,170,000	$3,770,000
Rental Assistance	422,955	398,000	185,000	400,000[a]

UNITS

	1972 ACTUAL	1982 ESTIMATE	1983 ESTIMATE	NRHC RECOMMENDATIONS
Homeownership Loans	110,759	83,771	20,100	76,433
Home Repair Loans & Grants	12,493	11,751	9,415	12,830
Farm Labor Housing	2,575	1,632	821	1,303
Rental Housing	38,477	30,178	5,740	29,185
TOTAL	164,477	127,332	36,076	119,751

(a) assumes 5 year contract for all units

COMMUNITY PROGRAMS	FY 79	FY 82	ADMIN FY 83	NRHC RECOMMENDATION
Water and Waste Loans	$ 900	$375	$300	$ 500
Water and Waste Grants	291.6	127.1	120	300
Community Facilities	247	130.0	130	200
Rural Development Planning Grants	10	5	0	5
TOTAL (in millions)	$1,448.6	$637.1	$550	$1,005

FISCAL YEAR 1983 BUDGET

Mr. RAPOZA. There are two specific issues I wish to bring before you today. The first issue deals with the fiscal 1983 budget as proposed by you, and the second one deals with the proposed Senate bill which would take the low-income housing units for the Farmers Home and turn that into a block grant for the States.

With regard to the fiscal 1983 budget, we are very concerned that the proposals by the Department would serve to destroy any sort of low-income rural housing program. They propose to reduce funding from $3.57 billion in fiscal 1982 to $1.17 billion in fiscal 1983, with a unit reduction of 127,000 units at fiscal 1982 level to 36,000 units in fiscal 1983.

I don't have to remind you, Senator, of the housing needs in the rural areas, where 40 percent of the Nation's bad housing is in rural areas, and a majority of that is located in the 16 States in the southeastern part of the country.

We believe in most cases that holding the Farmers Home budget account at fiscal 1982 levels would be the minimum adequate funding for the program, and would provide about 105,000 or 106,000 units of housing for low-income rural people.

There are one or two programs that, we believe, ought to be held higher than the fiscal 1982 levels, one of those being the self-start housing programs which provide grants to nonprofit groups to help families build their own 502 houses. This program has saved in fiscal 1982 about $9,000 per house over a 502 house. And, in fact, it lets farmers receive a little better household.

For fiscal 1981, Farmers Home had about $14 million in self-help housing grants, and those will be up for renewal in fiscal 1983. So, we are recommending $15 million be provided to continue the self-help housing program at the current level.

The other thing we are concerned with is the proposal by the staff of the Senate Rural Housing Development Subcommittee which would take the Farmers Home subsidized programs and turn them into block grants to the States. There are three main features of this proposal.

The first one would be to set the unsubsidized interest rate for the Farmers Home programs at the market rate, which is now 17 percent, as opposed to the cost of money to the Government which is about 14.2 percent.

The second feature is that this legislation would repeal the subsidized housing programs that Farmers Home has; it would take that which is associated with these programs at fiscal 1983 levels as proposed by the Department—that is between $300 and $500 million—and turn those funds over to the States. The legislation is heavily aimed toward the rehab program, where the rehab side of housing development occurs.

The third part of this proposal would be to restrict all Farmers Home to communities of less than 10,000, which as you mentioned earlier is of specific concern to the Congress as to who serves those communities of between 10,000 and 20,000.

We are very concerned that this proposal will once again do great harm to Farmers Home as an institution, and more importantly, will pretty much end the construction of new housing, either for home ownership, for low-income rental housing, or for elderly people.

The delivery system that Farmers Home has simply cannot be duplicated by the States. For instance, in the State of Maine, Farmers Home has over 30 offices. Can we possibly expect the State government to set up 30 State offices to run housing programs for the rural people? And, in fact, why should they, given the fact that Farmers Home has those offices there.

What it also does is set Farmers Home up as a competitor with the local savings and loans, to provide unsubsidized loans to those individuals who, in fact, can or cannot afford a 17-percent loan. We don't think there are many out there, but the competition would be there.

We think, and we recognize that Farmers Home over the years has not done the best job, but it is certainly worth preserving. We believe that the requirements for assistance to low income ought to be strengthened. We believe Farmers Home ought to attempt to do more with home repair, but we do not believe that the deficiencies in the Farmers Home program over the years ought to be good enough reason to wipe it out. We would urge this committee, as the previous witness said, to use the responsibility that has gone to the Farmers Home budget as a way to become involved in the debate over the future of Farmers Home.

I would be happy to respond to any questions you might have.

Senator COCHRAN. Thank you very much for your testimony. We appreciate your comments about the bill being recommended by the Banking and Housing Committee. Of course, we are not going to have much to do about that in this subcommittee in terms of the decisions we make on funding, since that is a legislative function and not an appropriations function. But I think it is appropriate that you point out to the committee your observations about it.

I think the point is that, in the next fiscal year, there will not be any alternative in America to the Farmers Home, so I think that is important for us to realize as we talk about loan authority and funding levels for these programs.

I think the members of this subcommittee are sensitive to the problem. We have a twin goal this year of trying to restrain the growth of spending so that we don't go back to the uncontrolled inflation era that we are working our way out of and that has contributed to the economic problems we are facing. At the same time, however, we recognize there must be programs in place to help those who can't adequately provide for their own needs, not only housing, but nutrition and other areas, as well.

I think you helped focus our attention on this problem, and I think that we will be better off, having had the benefit of these observations.

I appreciate your taking the time to be with us.

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

STATEMENTS OF:

VERNON D. MARTIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS, WASHINGTON, D.C.

THOMAS J. SOMMER, LEGISLATIVE ASSISTANT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS, WASHINGTON, D.C.

Senator COCHRAN. The next witness is Eben M. Graves, Jr., chairman of E. M. Graves and Co., Inc., of Southport, Conn.

If he is not here, we will move on to Vernon D. Martin and Thomas J. Sommer, National Association of Development Organizations.

PREPARED STATEMENT

We have your statement, and we will put it in the record in full and encourage you to make whatever summary statements you would like.

Mr. MARTIN. I would like to do that.

[The statement follows:]

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

PREPARED STATEMENT OF VERNON D. MARTIN

EXECUTIVE DIRECTOR

SUMMARY

The National Association of Development Organizations (NADO) is concerned about the cuts proposed in President Reagan's Fiscal Year 1983 Budget for the development programs of the Farmers Home Administration.

The FmHA cuts proposed include:

- a 20 percent reduction in Water and Waste Disposal Loans from $375 million in FY '82 to $300 million in FY '83.
- a $5 million reduction in the Water and Waste Disposal Grant Program from $125 million to $120 million in FY '83.
- termination of the Business and Industrial Loan Program.

We believe these drastic cuts, coupled with the President's recommendation to abolish the Economic Development Administration and the Appalachian Regional Commission, will put rural areas at a great disadvantage in maintaining and creating private sector jobs. Rural development programs (FmHA, EDA, ARC) have been cut on the average of 76 percent from 1980-1983.

Private sector job creation is as important to rural areas as it is to urban regions. The Community Development Block Grant and Urban Development Action Grant Programs have not been scheduled for any reductions this year. By cutting these FmHA development programs by such large amounts, rural communities will have a clear disadvantage in the competition for jobs and business development.

INTRODUCTION

Mr. Chairman, members of the Senate Appropriations Subcommittee on Agriculture, I am Vernon Martin, executive director of the Coastal Area Planning and Development Commission of Brunswick, Georgia. I am testifying today on behalf of the National Association of Development Organizations. Accompanying me is Thomas J. Sommer, NADO's legislative assistant.

As a Past President of this association, I am pleased to submit these brief comments in support of the economic and community development programs of the Farmers Home Administration. I commend the subcommittee for their dedication to the important task of continuing a strong agricultural sector of our nation's economy and recognizing the importance of small communities and rural areas.

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Since its establishment in 1967, the National Association of Development Organizations has promoted economic development in rural areas of the nation.

These local development efforts have been made possible through financial contributions from federal, state and local governments. Federal programs such as the Economic Development Administration, the Appalachian Regional Commission and the Farmers Home Administration have been instrumental in enhancing the quality of life in economically distressed regions.

The multi-county economic development districts, which NADO represents, have assisted local governments in these areas by coordinating development efforts and providing technical expertise. Since passage of the Public Works and Economic Development Act in 1965, 286 districts have been designated. These contain over 1,500 counties and hundreds of towns and cities.

Districts promote long-term economic development by creating a better climate for private sector investment. The direct benefits derived from the development strategies proposed by districts include reductions in the unemployment rates, strengthening of local tax bases and an increase in personal incomes.

The districts' approach to job-creation has two basic elements:

- a partnership with private sector to develop long-term commercial and industrial growth in distressed areas.
- a minimum of control from Washington and maximum local participation so that community needs are met.

Another important function of local development districts continues to be assisting local governments in attracting private sector investment. At the district level, this is achieved by developing a strategy where local communities establish or maintain adequate facilities. Several recent studies have shown the important relationship between private sector location decision and infrastructure conditions. Districts help local governments to finance and plan the construction and maintenance of vital facilities such as roads, bridges, sewers and waste treatment plants.

RURAL DEVELOPMENT PROGRAM REDUCTIONS

For the second consecutive year, the administration has proposed a package of funding cuts which adversely affects rural development. While the members of the National Association of Development Organizations support President Reagan's efforts to strengthen the national economy, we are troubled over cuts in development programs which assist economically distressed non-metropolitan areas.

As proposed the Reagan plan would:

- cut the Water and Waste Loan Program by 20 percent.
- cut the Water and Waste Disposal Grant Program by $5 million.
- eliminate the Business and Industry Loan Program at the end of FY '83.

NADO members are willing to accept fair cuts in these programs but feel the current recommendations for decreasing federal spending favor large metropolitan areas. If these proposals are passed by Congress and signed by the President, rural communities could no longer rely on the federal government for economic and rural development assistance. These programs are closely linked with private sector investment. Termination and reductions in funding would effectively decrease the rate of growth in rural areas.

Federal programs to stimulate development in rural areas have been significantly cut in the past four years. FmHA programs have been cut from 45 to 100 percent. EDA and ARC are eliminated while CDBG and UDAG are cut only 34 and less than one percent respectively. (See attached chart.)

Big cities will still be able to obtain development assistance from the Department of Housing and Urban Development. The Community Development Block Grant (CDBG) and Urban Development Action Grant (UDAG) Programs will remain at FY '82 levels, if the President's recommendations are approved by Congress. Similar programs for rural communities, funded by the FmHA, experience a disproportionate share of program reductions.

CDBG - UDAG PROGRAMS

It has been suggested that rural development efforts could withstand these reductions, because the CDBG and UDAG programs finance similar projects. The $1.1 billion reserved for the non-entitlement block grant programs represents an increase over past allocations for small cities. However, these funds must be distributed to metropolitan small cities (formerly funded through a separate "hold-harmless" provision) and non-metropolitan communities. Furthermore, there is no guarantee that state governments will choose to fund the kind of development programs now available from FmHA.

The UDAG program has been an effective development tool in urban areas; it has not been as useful in rural America. Because the program funds are awarded to communities based on the prospective number of jobs created, rural jurisdictions have not been successful in obtaining grants. The UDAG program is considered labor intensive. Rural areas are in need of capital intensive programs, which provide the basic infrastructure needed to attract business. (The attached map shows that many rural states have received very few small cities' UDAG grants compared to more urban states.)

RURAL NEEDS, INFRASTRUCTURE DEVELOPMENT AND PRIVATE SECTOR INVESTMENT

Some rural areas are growing while others continue to decline. The 1980 decennial census shows that population in rural regions rose by 15.4 percent between 1970 and 1980. The increase has placed new burdens and pressures on local governments. The demand for services is up, and the need for new jobs is evident. A recent U.S. Department of Agriculture study has shown that many small farmers are able to keep their farms because of outside jobs. The availability of jobs, according to the study, is the most serious economic problem for small farmers. Despite growth in certain regions, there is a lack of employment and opportunity in rural regions. Consider these facts:

- Over-Specialization by Economic Sector - Rural areas are often dependent upon one or two economic activities for the majority of employment. Dominant activities vary from one area to the next. Mining, agriculture, forestry, fishing and tourism are the usual major employers. Example: In 1979, 16.1 percent of South Dakotans were employed in agriculture, while the national average 3.8 percent.

- Isolation - Rural areas are often physically and culturally isolated from major markets. Examples include the fact that rural products may have to travel several hundred miles to reach their markets and the fact that rural manufacturing firms may not be as aware of changes in consumer habits as firms closer to major consuming areas.

- Transportation - Many rural areas lack the air and rail facilities to attract and hold business. Adequate transportation facilities are not only absent in many rural areas, but others like secondary highways and bridges are poorly maintained due to a lack of funds.

- Unemployed are Exported - Unemployment figures for rural areas are often misleading because the unemployed usually leave after a period of unsuccessful job searching.

- Small Community Tax Base Make Debt Financing Difficult - Rural Communities often lack the ability to build public facilities to attract business on their own. The small tax base of many rural communities prohibits any expansion of existing utilities without outside help.

- Historic Demand Shows Greater Need in Rural Areas for Basic Facilities Aid - Rural areas have historically sought different types of federal assistance than urban areas. In 1978, non-metropolitan areas received $49 more per capita in community facilities assistance, $40 more per capita in business and industrial development, and $21 more per capita in natural resources outlays than urban areas. Urban areas received $224 more per capita in defense contracts, $66 more per capita in housing, and $33 per capita more in transportation. (U.S. Dept. of Agriculture, 1980.)

- Poverty Indicators Higher for Rural Areas - According to White House Rural Development Background Paper "Social and Economic Trends in Rural America":

1) Incidence of poverty is significantly higher in rural areas than in urban areas (35 percent of nation's poor are rural)
2) Rural people experience poorer health than urban people. Also, there is a shortage of health services and medical care in rural areas
3) Incidence of substandard housing continues to be more than three times as high in rural areas as it is in urban areas
4) Per capita income in rural areas lags behind the national averages for per capita income

- Out-Migration Leaves Older Generation Behind in Rural Areas - According to Bureau of Census State and Metropolitan Area Data Book:

1) Rural areas between 1970-79 such as the North Central region experienced a decrease in net migration (-1%) while the more urbanized areas had significant increases due to migration (+9.5%)
2) Rural, midwestern states have a larger percentage of their population over age 65 (12.6%) than the national average (11%) and also greater than traditional retirement areas in the more urbanized south western areas (9.9%)

- Less Educational Attainment in Rural Areas - Census reports show:

1) Rural areas have fewer vocational education centers per capita than do more urbanized and industrialized areas. This results in fewer skilled workers for the rural areas.
2) Rural areas have a smaller percentage of residents completing high school and going on to college

- Rural Areas Lack Capital Markets - A February, 1981 study done for the U.S. Department of Commerce, "An Empirical Analysis of Unmet Demand in Domestic Capital Markets in five U.S. Regions," reported:

1) Unmet capital demand is highest in rural areas
2) Small firms have the most difficulty obtaining capital, and
3) Independent firms are at a disadvantage in capital markets

The needs of rural areas are unique. Jobs are needed, but few firms will locate in areas where the most basic facilities are inadequate or not in place.

NADO's member organizations have assisted local government in obtaining federal aid for the establishment of water and waste disposal systems; the laying and paving of roads; and the building of public facilities. These are not luxurious or extravagant expenditures. Proper infrastructure development and maintenance is vitally important and linked to private sector investment. Communities which have proper infrastructure and public facilities have a better chance of attracting private business and industry.

For example in the Golden Triangle Planning and Development District in the Mississippi State region FmHA and ARC have jointly funded emergency rooms and hospitals in three counties; county-wide solid waste collection and landfills in seven counties; and three B&I loans for industries with over 400 employees.

In the Coastal Area of Georgia which I serve FmHA loans have been used in combination with EDA funds to develop water and sewer systems for small communities which have been severely impacted by population growth resulting from expansion of the Rapid Deployment Force at Ft. Stewart and the Kings Bay East Coast Trident Submarine facility. In Liberty County, Georgia an FmHA loan provided a water system for an industrial park which now contains three small industries.

Public investment in public works projects has decreased in recent years. Between 1965 and 1977 such investments fell by 21 percent. The need for such investment is clear and the private sector has not shown a willingness to take over the government's role in supplying these services.

The FmHA Community Facility Loans and Water and Waste Disposal Loans and Grants have saved and created jobs in rural regions. We ask that Congress maintain current funding levels.

The National Association of Development Organizations is working with the Department of Agriculture to give them a better understanding of the problems of rural governments and we have found them receptive to our concerns. NADO and other rural government groups recently co-sponsored a Rural Governments Symposium with USDA to identify the challenges faced by small governments in this era of dramatic change in our federal system.

We are particularly pleased with the establishment of the Office of Rural Development Policy in USDA which is working with us to be sure that local governments have a meaningful role in formulating the first national rural development strategy. We urge the Congress to provide funding of $2.5 million for this office as requested by the President for 1983 so that they will have the resources to systematically review federal programs to identify rural-urban inequities and any other problems in rural government programs.

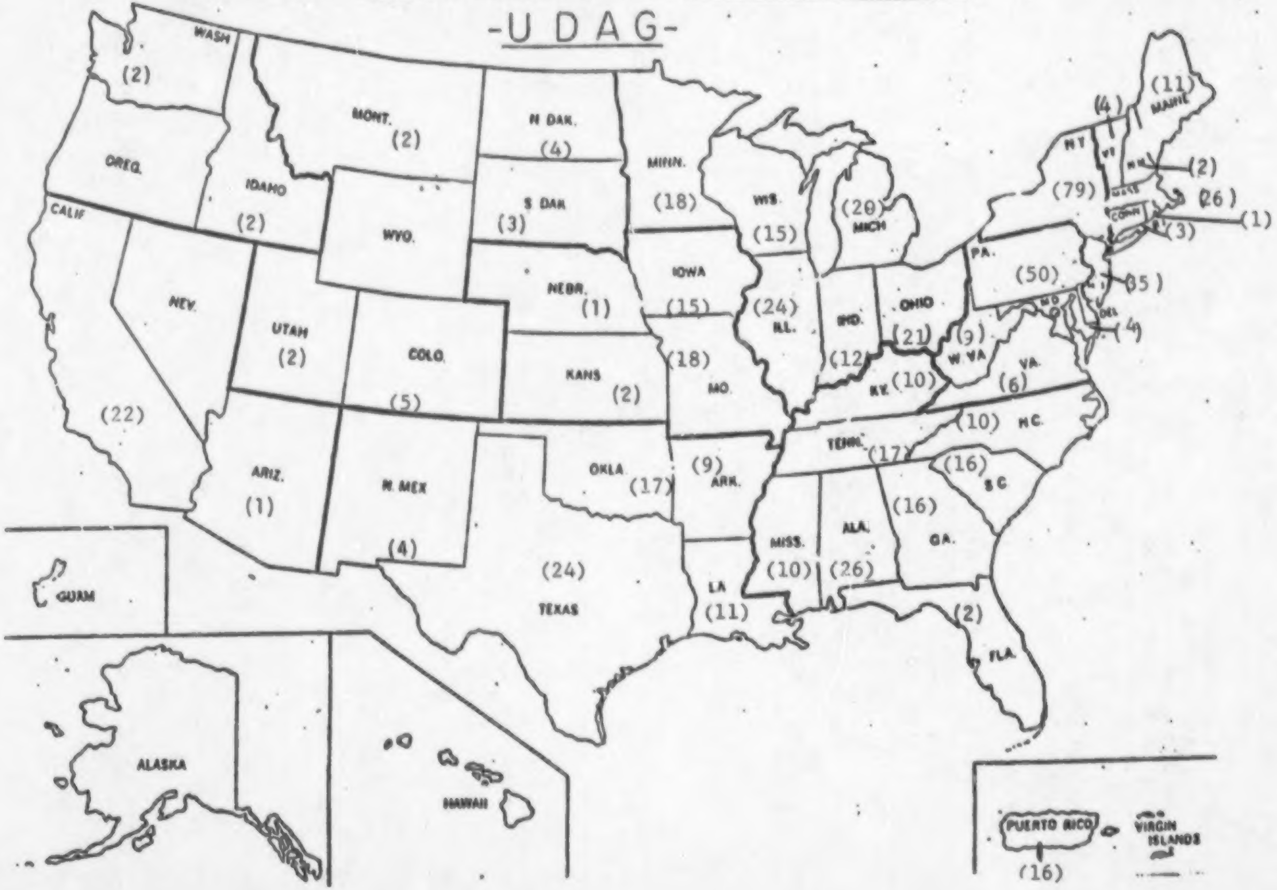
CONCLUSION

NADO members recognize and accept the concept of federal budget reductions. However, we feel the development programs of the Farmers Home Administration have proven their effectiveness in creating jobs in the private sector. Your action on the President's proposals will dictate the course of economic growth in rural areas. We ask, therefore, that the Appropriations Committee treat these programs fairly. Revitalization of the private sector is an important part of the President's economic recovery plan, and we believe that these programs are critical to the success of this effort.

FUNDING COMPARISON
FEDERAL DEVELOPMENT PROGRAMS (Millions)

Program	FY '80	FY '81	FY '82	FY '83	Percent Change
EDA	587	436.7	253.5	15.4	-97%
ARC	357	285	165	15	-95%
FmHA					
Water & Waste Loans	700	700	375	300	-57%
Water & Waste Grants	326	300	125	120	-63%
Community Facility Loans	240	260	130	130	-45%
Business & Industry Loans	1,073	1,000	300	-0-	-100%
CDBG	3,861	3,694	3,500	3,500	-.09%
UDAG	675	675	435	440	-34%

STATE BY STATE NUMBER OF UDAG "SMALL CITIES" GRANTS THROUGH February, 1982


-U D A G-
WASH
(2)
OREG.
CALIF
(22)
IDAHO
(2)
NEV.
MONT.
(2)
WYO.
UTAH
(2)
ARIZ.
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COLO.
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(4)
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S DAK
(3)
NEBR.
(1)
KANS
(2)
OKLA.
(17)
TEXAS
(24)
MINN.
(18)
IOWA
(15)
MO.
(18)
ARK.
(9)
LA
(11)
WIS.
(15)
ILL.
(24)
MICH
(20)
IND.
(12)
OHIO
(21)
KY.
(10)
TENN.
(17)
MISS.
(10)
ALA.
(26)
GA.
(16)
FLA.
(2)
S C
(16)
N C.
(10)
VA.
(6)
W. VA
(9)
PA.
(50)
MD
DEL
(4
N.J.
(35)
N Y
(79)
VT
(4)
N H
(2)
MAINE
(11)
MASS
(26)
CONN
R.I.
(1)
(3)
GUAM
ALASKA
HAWAII
PUERTO RICO
(16)
VIRGIN ISLANDS

INTRODUCTION OF ASSOCIATES

Mr. MARTIN. Mr. Chairman, I am Vernon Martin, executive director of the Coastal Area Planning and Development Commission of Brunswick, Ga. Our area encompasses the entire 31 local units of government. I am testifying today on behalf of the National Association of Development Organizations. Accompanying me is Thomas J. Sommer, NADO's legislative assistant.

As a past president of this association, I am pleased to submit these brief comments in support of the economic and community development programs of the Farmers Home Administration. I commend the subcommittee for its dedication to the important task of continuing a strong agricultural sector of our Nation's economy and recognizing the importance of small communities and rural areas.

ECONOMIC DEVELOPMENT

The multicounty economic development districts, which NADO represents, have assisted local governments in these areas by coordinating development efforts and providing technical expertise. Since passage of the Public Works and Economic Development Act in 1965, 286 districts have been designated. These contain over 1,500 counties and hundreds of towns and cities.

Districts promote long-term economic development by creating a better climate for private-sector investment. The direct benefits derived from the development strategies proposed by districts include reductions in the unemployment rates, strengthening of local tax bases, and an increase in personal incomes.

The districts' approach to job-creation has two basic elements: a partnership with the private sector to develop long-term commercial and industrial growth in distressed areas, and a minimum of control from Washington, and maximum local participation so that community needs are met.

RURAL DEVELOPMENT PROGRAM REDUCTIONS

For the second consecutive year, the administration has proposed a package of funding cuts which adversely affects rural development. While the members of the National Association of Development Organizations support President Reagan's efforts to strengthen the national economy, we are troubled over cuts in development programs which assist economically distressed nonmetropolitan areas.

As proposed, the Reagan plan would: cut the water and waste loan program by 20 percent, cut the water and waste disposal grant program by $5 million, and eliminate the business and industry loan program at the end of fiscal year 1983.

I would like to point out that, during 1981, according to Farmers Home figures, those three programs were responsible for creating or saving some 31,000 jobs.

Our NADO members are willing to accept fair cuts in these programs, but they feel the current recommendations for decreasing Federal spending favor large metropolitan areas. If these proposals are passed by Congress and signed by the President, rural communities could no longer rely on the Federal Government for economic and rural development assistance. These programs are closely linked with private-sector investment. Termination and reductions in funding would effectively decrease the rate of growth in rural areas.

Federal programs to stimulate development in rural areas have been significantly cut in the past 4 years. FmHA programs have been cut from 45 to 100 percent. EDA and ARC are eliminated while CDBG and UDAG are cut only 34 and less than 1 percent respectively.

Big cities will still be able to obtain development assistance from the Department of Housing and Urban Development. The community development block grant—CDBG—and urban development action grant—UDAG—programs will remain at fiscal year 1982 levels, if the President's recommendations are approved by Congress. Similar programs for rural communities, funded by the FmHA, experience a disproportionate share of program reductions. I would like to point out that those serve large urban areas.

The national organization is working closely with the Department of Agriculture to give them a better understanding of the problems of rural growth that we have found, and we have found them subject to our concerns.

NADO and other groups recently cosponsored a rural symposium with the U.S. Department of Agriculture to identify the challenges faced by Government in this area in our Federal system.

We are particularly pleased with the establishment of the Office of Rural Development Policy in USDA, which is working with us to be sure that local governments have a meaningful role in formulating the first national rural development strategy. We urge the Congress to provide funding of $2.5 million for this office, as requested by the President for 1983, so that they will have the resources to systematically review Federal programs to identify rural-urban inequities and any other problems in rural Government programs.

There are a couple of points not in my statement I would like to make in closing.

First, we would like to request this committee to reconsider the interest rates' structure to a level near the previous fixed rate in the neighborhood of 5 to 6 percent. The level is now close to 13 percent, a level that I might point out is, at most, too high for rural communities to afford.

We would also like to urge the committee to recommend very strongly that they use the existing structure of economic development districts which have been in place more than 20 years to deliver the technical systems programs to rural communities instead of using the Farmers Home office as your administrator now proposes.

We think they should continue to be used, working mainly with the farmers and some of the housing areas. The districts I speak of have had a track record of providing technical stability to our Government in a wide array of activities that cover economic development, tourism, land use, and many, many other activities that are so necessary for local governments to have, and amenities too expensive for them to afford on their own.

In conclusion, I want to say we recognize and accept the concept of the Federal budget reductions. However, we feel the development programs of the Farmers Home Administration have proven their effectiveness in creating jobs in the private sector. Your action on the President's proposals will dictate the course of economic growth in rural areas. We ask, therefore, that the Appropriations Committee treat these programs fairly. Revitalization of the private sector is an important part of the President's economic recovery plan, and we believe that these programs are critical to the success of this effort.

Thank you very much. I will be glad to respond to any questions you might have.

Senator COCHRAN. First, I want to compliment you on the quality of your statement, the thoroughness with which you have discussed for the committee's benefit, the rural programs that we do have at the Federal level, and their importance in providing jobs and improving the quality of life in our rural communities.

I agree with you that many of them have been of great benefit. As a matter of fact, during my first year in the House of Representatives, we were considering in the committee on which I served—Public Works and Transportation Committee—reauthorization of the Economic Development Act.

One of the witnesses on a panel before the committee, I recall, was a mayor from one of the small towns in my State. He started off by saying, "Mr. Chairman, before EDA, a seven-course dinner in Pontotoc, Miss., was a possum and a six-pack, but since then, we have gotten industry," and he went on to talk about how the program had brought in an industrial park, and brought good jobs, and the quality of life was vastly improved.

Well, I think that is applicable to your testimony, that if it were not for some of those programs, many of our rural areas or smaller towns would still be in desperate financial straits.

I worry, too, about going back to the same era of the budget where such substantial reductions were made last year during the process and making still further large cuts. It is gratifying to see in the President's request that in the case of water and waste disposal grants, the reduction in this year's budget from last is minimal, although there is a reduction, and that most of the reduction in Farmers Home Administration has come in the area of business and industry loans. Those are important and have played an important role in helping to provide jobs in our smaller towns.

We will certainly consider your testimony very carefully, particularly in view of the substantial reductions that are made in the ARC and EDA programs. I think that has an influence on what we have to do with programs under the jurisdiction of this committee; although, those two programs are not under the jurisdiction of this committee.

Thanks for coming all the way from Georgia to be here.

Mr. MARTIN. Thank you. If we can provide you with further information, we will be happy to do so. I know you are familiar with the role of the planning and development districts in Mississippi and what they have done to date. We have not received much attention from Farmers Home Administration in the role we should. We appreciate your background and the comments you have made.

Thank you.

Senator COCHRAN. Thank you.

NATIONAL ASSOCIATION OF STATE FORESTERS

STATEMENT OF JOHN BETHEA, FLORIDA STATE FORESTER, NATIONAL ASSOCIATION OF STATE FORESTERS

Senator COCHRAN. Our next witness is John Bethea, Florida State forester, and Boyd Rasmussen, Washington representative of the National Association of State Foresters.

Welcome.

Mr. BETHEA. Thank you, Mr. Chairman.

As you indicated, I am John Bethea, State forester of Florida, and I am also here today representing the 50 State foresters in the Nation, and we would like to discuss with you, briefly, the forestry incentives program and the rural community fire protection program.

PREPARED STATEMENT

We have a statement which we have filed, and we would like to place that in the record. However, I would mention that there is a typographical error on it. It says March 30; it should be April 20.

[The statement follows:]

PREPARED STATEMENT OF JOHN BETHEA

FLORIDA STATE FORESTER

NATIONAL ASSOCIATION OF STATE FORESTERS

Mr. Chairman and Members of the Committee, I am John Bethea, State Forester of Florida, here as spokesman for the National Association of State Foresters. I represent the 50 State Foresters in the Nation. We appreciate past support by this Committee and the opportunity to appear and discuss the Forestry Incentives Program funded in the Agricultural Stabilization and Conservation Service budget and Rural Community Fire Protection funded in the Farmers Home Administration budget.

Last fiscal year appropriations by this Committee for these programs totaled $15,670,000. For fiscal year 1983 the Administration proposed a zero budget for the Forestry Incentives Program and a zero budget for Rural Community Fire Protection. We recommend a level budget of $15,670,000 for the two programs shown below:

	FY 1982 APPROPRIATION	PRESIDENT'S BUDGET FY 1983	NASF RECOMMENDATION
FORESTRY INCENTIVES PROGRAM (FIP) (ASCS)	$12,500,000	-0-	$12,500,000
RURAL COMMUNITY FIRE PROTECTION (RCFP) (FmHA)	3,170,000	-0-	3,170,000
	$15,670,000	-0-	$15,670,000

FORESTRY INCENTIVES PROGRAM (FIP)

The FIP Program is administered by ASCS in consultation with the Forest Service and is executed by State Foresters. It provides cost-share incentives to small landowners for planting new stands and for improvement of present stands. At current funding levels only a small percentage of the owners are being reached.

This highly successful program, a congressional initiative, is aimed at increasing timber production on private nonindustrial forest land to help meet the Nation's future needs for wood fiber. At present levels it will provide 13% to 14% of the 21 billion board feet shortfall predicted to occur by 2030 if current levels of forest management are not improved. It is an important part of the total effort.

Fiscal year 1981 was funded at $12.5 million resulting in 211,000 acres of tree planting and 103,000 acres of timber stand improvements. Since the program began in 1974 tree planting has been accomplished on 1,170,000 acres and timber stand improvements on 963,000 acres.

In fiscal year 1981 requests for assistance by landowners greatly outstripped the funds available with requests remaining on file amounting to $29,000,000. To make a major inroad on the shortfall by 2030 we believe the annual program should be about $33,000,000. But that is difficult under today's budget restraints.

We urge you to consider the following statements in making your decision on fiscal year 1983 budget levels:

-- The Forest Service 1979 RPA Assessment projects the demand for wood and paper products will double between 1976 and the year 2030. The report states that without major improvements in forest productivity, demand will exceed production of wood by 21 billion board feet annually.

-- Past production of lumber and plywood came mainly from the Nation's private timberland. The bulk of the remaining old growth softwood timber now is found on the national forests in the West. One theory being advanced is that increased cutting of the old growth timber on the national forests would:

1. Meet demands.
2. Provide increased revenues to the Treasury.
3. Provide the timber industry with a stable source of raw material.
4. Convert inefficient forests to efficient forests.

While this may solve some problems for the next 20-30 years, it completely ignores the long-term problems which start after the old growth is gone. The Forestry Incentives Program recognizes the need to put trees into the ground now and on a continuing basis.

-- 58% of the commercial forest land in the United States is in nonindustrial private ownerships. This land which today produces 36% of the softwood saw timber harvest annually will need to produce 50% by 2030. Forestry is a long-term program and it makes little sense to neglect this vast resource. It offers more than 50% of the opportunity to increase productivity.

-- National forests annually provide 20% of the total timber products; industry -- 30%; and nonindustrial private land -- 50%. This includes both softwood and hardwood production.

-- Forestry is a long-term investment program facing many obstacles. Many landowners are harvesting their timber but are not making the necessary investments to reforest the area cut. High interest rates, long-term cash commitments and protection of plantation investments contribute to this impasse. Thus, millions of acres of highly productive land are being left idle.

-- Reforestation, protection and management needs on the nonindustrial private forests are staggering. With an estimated backlog of 10 million acres needing reforestation, it will take the combined efforts of industries, tax credits, incentives, technical assistance and cooperative programs to make a dent on the steadily increasing backlog.

-- Public Law 95-451 (the Packwood Bill) provides for tax credits and depreciation of amortized reforestation. It is too early to determine if this tax change will have any effect on many of the small ownerships. To date very few positive actions have been reported. Public Law 95-600 provides for excluding government cost-sharing payment from taxable income with time restrictions.

Congress has recognized the urgent need to put trees into the ground by this new legislation which will help the present situation. The success of these measures will be demonstrated over time. In the meanwhile, proven measures like the Forestry Incentives Program should not be abandoned. To meet the shortfall will require all of the measures available.

RURAL COMMUNITY FIRE PROTECTION (RCFP)

One of the greatest needs of rural America is fire protection for rural homes, farmsteads, factories and other improvements. Title IV of the Rural Development Act of 1972 authorized Rural Community Fire Protection on a pilot basis. Now it is authorized by the Cooperative Forestry Assistance Act of 1978 to provide financial and technical assistance to train, organize and equip local rural fire departments. The major emphasis of this program is to improve the existing levels of fire protection in rural areas where protection is lacking or nonexistent. Financial assistance is limited to not more than 50% of the actual expenditures. However, the government help has amounted to less than 40% of the actual spending while local fire departments have been supplying more than 60%. This is an indication of the success of the program in generating local fire resources.

The program is administered nationally by the Forest Service, though it is funded through the Farmers Home Administration under this Committee's jurisdiction. The Forest Service provides assistance to the State Forestry organizations which work with local fire departments. More than 90% of the funds are targeted to these departments. This is the only federal program specifically designed to provide technical and financial assistance in organizing, training and equipping fire departments in unincorporated rural areas. Requests for assistance exceed available funds by 10 to 1. In 1981, 3000 applications for financial assistance were approved.

Coupled with the Federal Excess Property Program, RCFP has been able to provide thousands of excess vehicles for use in rural areas. In some cases RCFP funds provide a reconditioned vehicle and the community provides the fire pumper unit. In other cases the community provides the truck and RCFP funds provide the fire pumper unit. Large numbers of volunteers are trained in fighting small structural fires and grass and brush fires. Over 500 new fire departments have been organized with the help of this Program.

This is a very effective and successful Program which is targeted at rural communities with less than 10,000 people. It not only provides additional fire protection but provides a reservoir of trained volunteer firefighters and equipment for fighting forest fires in critical times.

FORESTRY INCENTIVES PROGRAM

Mr. BETHEA. As you know, Mr. Chairman, the forestry incentives program is a cost-sharing program to get trees in the ground and to get improvement work done. It is appropriated to the Agricultural Stabilization and Conservation Service, ASCS, and is administered jointly by them and by the U.S. Forest Service and the States.

The rural community fire protection program is funded through the Farmers Home Administration, and then transferred to the Forest Service and is administered by them through the State forestry organizations. It is a cost-shared grant program and provides seed money to encourage the organization and training of volunteer fire departments.

In these two programs, Mr. Chairman, as indicated in our statement, we are requesting the 1982 levels. We are asking that the forestry incentives program be maintained for 1983 at the 1982 level of $12.5 million, and that the rural community fire protection program be maintained in 1983 at the 1982 level of $3.17 million.

We believe the forestry incentives program is a very effective investment program. There are certain statistics in our statement; in addition to that, a recent analysis was made by the U.S. Forest Service, but we didn't have the results at the time we prepared this statement.

I believe that information has been provided to your staff, and it is very encouraging because among other things, it indicates a return of double the investment at a discount rate of 4 percent can be realized through the Government at the end of the rotation period.

As the committee knows, and I am sure you know, Mr. Chairman, all studies made indicate that the need for wood fiber will double by the year 2030. Public lands can and will make a substantial contribution to the shortfall that we are now looking at.

However, the majority of the increase must come from the private lands, and in the South, particularly, there is a larger percentage of the land that is in private ownership.

In order to get trees in the ground, it is necessary that there be a cost-sharing program. We have just completed our 10-year survey, and for example, in Florida, only 8 percent of the private land harvested in 1970 and 1980 was purposely regenerated during that 10-year period. We are growing more food now than harvesting. However, the survey showed there is a shortage down the road.

The National Forest Products Association recently completed a survey, and without going into detail, they found that during the last 5-year period—1974 to 1979—there was 34 percent more trees planted than during the previous 5-year period, which was 1966 to 1973. This was in face of the severe depressions of the middle 1970's.

There has been much said about the tax credit; the tax credit will help. It is a substantial thing that will give support to the program. Technical assistance will help. Better information to the landowners will help, but we are persuaded that there is a large group of landowners out there that doesn't have the up-front money that is necessary to reforest their lands. Some type of cost share is critical for these landowners that don't have the up-front money.

A number of States have implemented cost-share programs to supplement the program.

Mr. Chairman, I think one of the most critical items I would like to talk to you about is the need for maintaining the forestry incentives program as a separate program and maintaining it as a line item.

At one time there was no program, but there was a tree planting element in the ACP. It was very unusual to get as much as 4 percent of the funding for tree planting. The local committees and the State committees opted for the short-term benefits. The committees are made up of farmers and ranchers, and they did not opt for the tree planting which was a long-range program.

That was one of the main reasons, in my judgment, why the FIP program was enacted to improve and increase the regeneration of the lands that were being harvested and not being put back in trees.

In 1978, the Cooperative Forestry Assistance Act which continued this program, provided that the Secretary of Agriculture will consult on the allocation, and we believe that if the funding is sent to the States in block grants, the provisions over the 1978 Cooperative Assistance Act will not be maintained. So, we think it is especially critical if the program is to continue as a viable program that it be maintained as a separate line item.

There is another reason, in addition, for the tree planting program; the forestry incentives program is essentially keeping an organization to support the total forestry program in the State. This provides a base to insure there will be a minimal amount of work available.

Some States have reduced cost sharing to 50 percent. In Florida, we have recommended to our State committee that in 1983 it be reduced from 65 to 50 percent.

RURAL COMMUNITY FIRE PROTECTION PROGRAM

Now, Mr. Chairman, just a word about the RCFP program. There is no greater need than improved fire protection in the rural areas for homes, farms, and small manufacturing plants.

The RCFP program which provides cost sharing to the volunteer fire departments for the minimum amount of equipment and training is a supplement to the Federal excess property program, where the State agencies get Federal excess equipment and transfer it to the rural community and volunteer fire departments. This appropriation of $3.17 million provides seed money to get an interest generated and provides some form of help to these volunteer fire departments.

In Florida, we have organized hundreds of them, and they are providing a vital service. They need to be encouraged and strengthened, and they need something there to show that there is a real interest in maintaining the rural communities as a viable place to live.

Thank you, Mr. Chairman. We appreciate your support in the past of these programs, and we look forward to working with you to ensure that a reasonable approach is taken to these two programs.

Senator COCHRAN. Thank you, Mr. Bethea.

Yesterday, we had the State forester of Alabama here talking about the same programs and expressing the interest of that State in the maintenance of an identifiable program for forestry incentives. I worry, too, that this program might very well disappear if it is folded into the ACP program.

I think we should look for better ways to administer Government programs, and I applaud the President's initiatives in bringing the attention of the Congress to bear on these suggestions for improving the way we manage and administer Federal programs.

I think this is a healthy exercise that we are going through, but I do have some concerns in that area too. The subcommittee, I know, will be sensitive to the concerns that you have expressed as we go about making the decisions on the budget and determining the level of funding for the forestry incentives program.

We had a lot of support last year for a higher level of funding, and in an effort to stay within the budget and reconciliation, we had to make some reductions in many areas. But I am not at all sure that this program should be lumped, along with other programs, under ACP.

The rural community fire protection program is important in our State, as you point out, and in every State, I suppose.

Yesterday, I told a story that the staff will have to listen to again, because none of you were here. It is about a Congressman friend of mine from Georgia, and his experience with the volunteer fire department down in Enigma, Ga. The mayor had called him for years asking for a fire truck, and he finally found an old fire service truck in Atlanta. So they nearly bankrupted the town paying for the gas to drive down to Atlanta and back to Enigma. They painted it red and did a lot of work on it, so it would be serviceable.

They built a shed on the side of the hardware store and then got into the biggest argument over who would be the fire chief and who would have custody of the keys to the truck.

They worked it out so they would leave the keys in the truck, and the first one there after the alarm sounded would get to drive it and he would be the chief.

Well, as luck would have it, there was a fire several months later. The alarm went off, and Booger Cook, who was out late the night before, was sleeping it off in a feed storage area of the hardware store. He was the first one to the truck, and he got into the truck. As he was backing out of the shed, he knocked one of the pillars down, backed over the fence, and backed into Mrs. Pickett's flower bed. The mayor lived next door; his dog came out, and he ran over the dog.

They finally got him stopped. They called him and said, please come down here and get this blankety blank truck off our hands. It caused more trouble than we ever have had in our town.

Well, I know that is an anomaly. The fire departments provide a good service to those communities, and we will be taking a very careful look at this recommendation.

Thank you for being with us.

Mr. BETHEA. Thank you, Mr. Chairman.

U.S. AGRICULTURAL EXPORT DEVELOPMENT COUNCIL

STATEMENTS OF:

RALPH WEEMS, JR., MEMBER, U.S. AGRICULTURAL EXPORT DEVELOPMENT COUNCIL, WASHINGTON, D.C.

DAVID HULL, MEMBER, U.S. AGRICULTURAL EXPORT DEVELOPMENT COUNCIL, WASHINGTON, D.C.

PREPARED STATEMENT

Senator COCHRAN. Our next witnesses are Ralph Weems, John Ward, and David Hull, members of the U.S. Agricultural Export Development Council.

Welcome, good to see you, Ralph.

We have your statement, and we will put that in the record in its entirety, and we would encourage you to make any summary comments or highlight any part of the statement that you would like.

Mr. WEEMS. Thank you, Mr. Chairman.

[The statement follows:]

U S. AGRICULTURAL EXPORT DEVELOPMENT COUNCIL

PREPARED STATEMENT OF RALPH WEEMS, JR.

Mr. Chairman, distinguished members of the Committee, my name is Ralph Weems. I am a soybean and wheat farmer from West Point, Mississippi and I serve as Chairman of the Market Development Committee of the American Soybean Association.

Today I am here representing the members of the U.S. Agricultural Export Development Council (USAEDC) and I am accompanied by two gentlemen who represent their commodity organizations on USAEDC. They are Mr. David Hull of the Cotton Council International and Mr. John Ward of the National Forest Products Association.

The commodity organizations of USAEDC work in cooperation with the Foreign Agricultural Service in developing foreign markets for U.S. agricultural products. This unique industry/government program has been an effective tool in developing and building markets for our products.

As you know, exports play a vital role in our agricultural economy. In the last fiscal year they surpassed $43 billion, again setting a new record. Without exports, producer income would have been substantially less. Rural, agribusiness, transportation and other sectors of our economy would not have prospered as they have over the years. Our country as a whole benefits from export sales and improved balance of trade and payments.

Exports are vital to many of our crops, with over 60% of our wheat, rice and cotton, 53% of our soybeans, 40% of our tobacco and 30% of our corn sold abroad.

Many of our commodity organizations have been actively promoting exports since this program's inception with the passage of P.L.480. The programs carried out are numerous and varied, but all are designed to develop, maintain, and build markets. Some examples of the activities in 1981 are given in our pamphlet "Success Stories 1981" which we have provided you and your committee. From this I feel sure you can see the breadth of the members, commodities represented and the types of activities carried out.

We know that the large increase over the years in the exports of U.S. agricultural products would not have happened without our efforts, but it is difficult to pin down the precise effect of our programs and we are beginning to quantify this through developing an impact/cost analysis.

During 1981 cooperators and participants in the export incentive program worked with marketing specialists from the Foreign Agricultural Service to develop such an analysis and to identify the new market access and development activities which will be carried out if we receive a $10.5 million real increase in our market development funding.

We used the Michigan State University trade model and USDA's Economic Research Service and Agricultural Stabilization and Conservation Service coefficients to estimate the agricultural and economic impact of the analysis. The $10.5 million increase excluded the costs associated with administration of the international Trade Policy, Credit, Attache and other support services required by market development activities.

The impact/cost analysis revealed two major conclusions:

1) U.S. Agricultural exports will jump by $1.5 billion per year in 1983/1985, given a $10.5 million real increase in funding;

2) U.S. agricultural exports will increase by an additional $926 million per year with a further $1.6 billion of credit and P.L. 480 for a total increase of $2.4 billion per year for the three years.

These dramatic increases in export earnings will generate significant returns to our national and farm economies:

- Each additional $1 expended by FAS on the market development program will generate an additional $1.9 in market development contributions by co-operators and third parties, for a total of $29.2 million.
- Increased economic activity throughout the economy of $4.9 billion per year.
- Increased employment of 70,000 jobs: 42,000 non-farm and 28,000 on-farm.
- Lower government farm program costs of up to $2.8 billion per year if deficiency payments are in effect.
- Increased federal tax revenues of as high as $440 million per year.
- Net farm income will increase by as much as 20% by 1985 and annual real farm prices will be increased on average by 47¢ per bushel on wheat; 22¢ per bushel on corn and 62¢ per bushel on soybeans for the three year period.

Turning to the fiscal year 1983 budget for the Foreign Agricultural Service, USAEDC supports the Administration's proposals, including in particular the amounts for market development. We feel the amount proposed will fund the program to where some effective impact can be made.

However, we are all aware of inflation, that costs have risen substantially, that new commodity groups are participating in the FAS market development program and that additional commodity divisions will have to be established to service them.

Some of the tools which have been effectively used to build markets over the years have been the P.L. 480 and CCC Credit Programs. They have been the link between countries unable to buy our agricultural products and also those which have the resources to purchase them through normal commercial channels. One of these two programs, the direct CCC Credit Program (GSM-5) was particularly helpful. As you know, this program was eliminated due to budgetary considerations along with the Intermediate Credit Program (GSM-201 and GSM-301).

The newer Loan Guarantee Program (GSM-102) has only partially replaced the CCC Credit Program, and there is a continuing need for Intermediate Credit to increase farm Exports. These needed programs can only be reactivated with new initial funding.

Start-up monies for a CCC Revolving Fund could be used to re-establish these essential credit programs. For 26 years they operated without a bad debt loss --- clearly this vital sales tool was a sound investment. Once established, a CCC Revolving Fund would have to receive additional appropriations until it starts increasing as repayments of principal and interest are received.

Congress, recognizing a clear need, authorized establishment of an Export Credit Revolving Fund in last year's Farm Bill. However, no funding was provided for 1983 and none is included in the Administration's 1983 budget request.

We are convinced that the Export Credit Revolving Fund and reactivation of these credit sales tools are essential to increasing sales of U.S. farm products and building markets for the future.

We have shown that increased exports would -

- increase farm prices and require less funding for deficiency payments, and
- mean less grain support loan outlays and storage payments.

We therefore strongly urge your Committee to take action to provide at least $1 billion in start-up funds to establish the Export Credit Revolving Fund/

We are submitting several statistical tables and hope they will receive your careful scrutiny.

Thank you, Mr. Chairman, for allowing us to present our views today. We will be pleased to respond to any questions you or members of your distinguished Subcommittee may have.

TABLE OF EXHIBITS

EXHIBIT I	Historical Summary - Value of U.S. Foreign Trade and Trade Balance, Fiscal Years 1970 - 1981
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EXHIBIT V	Agricultural Exports and Market Development Expenditures of Principal Competing Countries

EXHIBIT I

HISTORICAL SUMMARY

VALUE OF U.S. FOREIGN TRADE AND TRADE BALANCE

FISCAL YEARS 1970 - 1981

	U.S. EXPORTS				U.S. IMPORTS				TRADE BALANCE		
FISCAL YEAR	AGRICUL-TURAL	NON-AGRI-CULTURAL	TOTAL	% AGRI-CULTURAL OF TOTAL	AGRICUL-TURAL	NON-AGRI CULTURAL	TOTAL	% AGRI-CULTURAL OF TOTAL	AGRICUL-TURAL	NON-AGRI-CULTURAL	TOTAL
	-----million	dollars-------		---%---	-----million	dollars-----		---%---	-----million	dollars-----	
1970	6,718	34,341	41,059	16	5,593	32,627	38,219	15	+1,125	+1,714	+2,940
1971	7,753	35,910	43,663	18	5,828	36,896	42,724	14	+1,925	- 986	+ 939
1972	8,046	36,802	44,848	18	6,048	44,008	50,056	12	+1,998	-7,206	-5,208
1973	12,902	44,913	57,815	22	7,324	54,065	61,389	12	+5,578	-9,152	-3,574
1974	21,293	63,631	84,924	25	9,549	72,954	82,503	12	+11,744	-9,323	+2,421
1975	21,578	81,280	102,858	21	9,579	91,481	101,060	9	+11,999	-10,201	+1,798
1976	22,754	90,032	112,791	20	10,565	103,996	114,511	9	+12,189	-13,964	-1,720
1977	24,014	96,354	120,368	20	13,383	103,086	143,469	9	+10,631	-33,732	-23,101
1978	27,306	104,204	131,508	20	13,885	152,426	166,311	8	+13,421	-48,222	-34,803
1979	31,795	135,501	167,484	19	16,187	178,464	194,651	8	+15,788	-42,963	-27,175
1980	40,481	169,563	210,044	19	17,300	220,857	238,157	7	+23,181	-51,294	-28,113
1981	*43,788	185,440	229,228	19	17,217	238,319	255,536	7	+26,571	-52,879	-26,308

SOURCE: 1970-1975 USDA, ERS. US Foreign Ag. Trade Statistical Report Fiscal Year 1976, page 2.
1976-1977 USDA, ERS. US Foreign Ag. Trade, FATUS, November 1977, page 6.
1978-1978 USDA/FAS.
1979-1980 USDA/FAS.
1980-1981 USDA/FAS. US Foreign Ag. Trade, FATUS, Nov./Dec. 1981

EXHIBIT II

EFFECT OF INFLATION AND CURRENCY FLUCTUATIONS ON FOREIGN MARKET DEVELOPMENT FUNDS - FY 1971-1982.

(Based on actual dollar amounts of contracts signed up by Cooperators and Export Incentive Plan Participants for foreign market development activities)

FISCAL YEAR	FOREIGN AGRICULTURAL SERVICE SIGN-UP AUTHORITY (Thousand dollars)	WEIGHTED INFLATION RATE (Percent)1/	WEIGHTED CURRENCY ADJUSTMENTS (Percent)2/	PURCHASING POWER (Thousand dollars)
1971	$ 12,521	5.9	0.9	$ 10,961
1972	12,397	5.4	9.4	9,223
1973	12,500	8.7	9.1	7,674
1974	13,000	16.4	(0.5)	6,874
1975	11,736	11.8	2.5	4,808
1976	12,115	8.7	(5.1)	5,001
1977	14,067	8.1	2.6	6,209
1978	15,646	5.8	16.1	6,082
1979	20,806	8.6	2.4	10,003
1980	20,119	11.7	2.1	8,708
1981	23,673	10.8	(12.6)	12,401
1982(Estimate)	27,012	10.0	1.0	14,009

1/ Inflation rate based on Consumer Price Index, International Financial Statistics -- on fiscal year basis. Weighted by level of expenditures in countries where market development activities took place

2/ Weighted currency adjustments based on exchange rates from the Department of Treasury Reporting Rates of Exchange.

Source : USDA/FMD/PED/PSB 2/2/82.

EXHIBIT III

FISCAL YEAR EXPENDITURES OF FEDERAL FUNDS AND COOPERATOR CONTRIBUTIONS AND TOTAL AGRICULTURAL EXPORTS

FISCAL YEAR	(1) FEDERAL FUNDS PROJECTS	(2) FAS	(3) TOTAL	(4) COOPERATOR FUNDS	(5) TOTAL FUNDS	(6) FUNDS DISTRIBUTION FEDERAL	(7) COOPERATOR	(8) AGRICULTURAL EXPORTS	(9) MARKET DEVELOPMENT COSTS FEDERAL	(10) COOPERATOR
	- - - -	- - -	-$1,000-	- - - -	- - -	- - -% of	Total- - -	-$ Million-	- -% of	Export Value - -
1971	8,847	4,858	13,705	18,613	32,315	42	58	7,753	.18	.24
1972	10,054	1,730	11,784	20,605	32,389	36	64	8,046	.15	.26
1973	10,045	930	10,975	22,112	33,087	33	67	12,902	.09	.17
1974	10,234	658	10,892	23,342	34,234	32	68	21,293	.05	.11
* 1975	11,739	830	12,659	26,997	39,566	32	68	21,578	.06	.13
1976	10,922	796	11,718	24,158	35,876	33	67	22,759	.05	.11
1977	12,363	895	13,258	27,806	41,064	32	68	24,014	.06	.12
1978	13,926	879	14,805	35,331	50,136	30	70	27,306	.05	.11
1979	16,709	963	17,672	39,660	57,332	30	70	31,975	.05	.11
1980	18,778	1,165	19,943	47,373	67,316	30	70	40,481	.05	.12
1981	20,195	1,014	21,209	51,319(Est.)	72,528	29	71	43,788	.05	.12

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* Covers 15 month period

FOOTNOTES:

(1) FAS expenditures for Cooperator projects

(2) FAS expenditures for own projects

(3) Column (1) + (2)

(4) Cooperator expenditures from own and related funds including foreign

(5) Total expenditures for foreign market development

(6) & (7) Share of total expenditures by source

(8) Value of total U.S. exports of agricultural commodities

(9) & (10) Market development costs as percent of value of total exports

Source: USDA/FAS/PED and ERS 2/2/82

EXHIBIT IV

AGRICULTURAL EXPORTS AND MARKET DEVELOPMENT EXPENDITURES OF PRINCIPAL COMPETING COUNTRIES 1/

FISCAL YEARS 1978-1980

COUNTRY	FY 1978			Revised 1979			Estimated 1980		
	EXPORTS	MARKET DEVELOPMENT	% OF EXPORTS	EXPORTS	MARKET DEVELOPMENT	% OF EXPORTS	EXPORTS	MARKET DEVELOPMENT	% OF EXPORTS
	(Bil. $)	(Mil. $)	Pct.	(Bil. $)	(Mil. $)	Pct.	(Bil. $)	(Mil. $)	Pct.
Australia 2/	5.9	54.0	.92	6.6	56.9	.86	9.6	58.5	.61
Canada 3/	4.6	7.5	.16	5.4	6.2	.11	7.0	5.3	.08
Denmark 4/	3.4	22.4	.66	3.9	25.4	.65	4.1	24.9	.61
France 4/	11.4	17.0	.15	14.4	17.5	.12	15.7	17.6	.11
Israel 4/ 5/	.7	6.5	.93	.7	7.2	1.03	.7	8.0	1.14
Netherlands 4/ 6/	12.3	29.7	.24	14.5	41.2	.28	16.6	48.9	.29
New Zealand 3/	2.7	24.5	.91	3.0	27.7	.92	3.8	29.7	.78
South Africa 7/	1.7	13.7	.81	1.9	15.6	.82	2.7	17.1	.66
TOTAL	42.7	175.3	.41	50.4	197.7	.39	60.2	210.6	.35
UNITED STATES 8/ 9/	27.3	30.0	.11	32.0	34.2	.11	40.5	39.7	.10

1/ Exchange rate source : Treasury Reporting Rates of Exchange, Department of the Treasury Fiscal Service, Bureau of Government Financial Operations, June or December quarter.

2/ July - June fiscal year data.

3/ Export data based on calendar year, market development expenditures on April - March fiscal year.

4/ Calendar year data.

5/ Source for 1978 and 1979 exports is FAO Trade Yearbook and for 1980, USDA Agricultural Situation.

6/ Export data based on calendar year, market development expenditures on July - June fiscal year.

8/ October - September fiscal year data.

9/ Includes FAS funds and U.S. Market Development Cooperator contributions.

Source : FAS/FMD/PED - December 1981

EXHIBIT V USDA AND COOPERATOR MARKET DEVELOPMENT EXPENDITURES EXPRESSED AS A PERCENTAGE OF TOTAL AGRICULTURAL EXPORTS.

FISCAL YEARS 1971-1981

FISCAL YEAR	EXPORTS ($ billions)	MARKET DEVELOPMENT ($ thousands)	% OF EXPORTS
1971	$ 7.8	$ 20,569	0.27
1972	8.0	18,785	0.23
1973	13.0	18,536	0.14
1974	21.2	18,600	0.09
1975	21.5	22,656	0.10
1976	22.1	21,593	0.10
1977	24.0	25,069	0.10
1978	27.3	30,000	0.10
1979	32.0	33,935	0.11
1980	40.5	39,748	0.10
1981	43.8	41,265	0.09

Source: USDA/FAS/PED 2/2/82

AEDC

U.S. AGRICULTURAL EXPORT
DEVELOPMENT COUNCIL

Developing and Maintaining Foreign Markets for U.S. Farm Products

Success Stories 1981

A joint effort by members of the U.S. Agricultural Export Development Council (AEDC), and the Foreign Agricultural Service, U.S. Department of Agriculture

Building the foundation for even higher levels of U.S. farm exports is a major goal of the U.S. Agricultural Export Development Council. But the foundation would soon crumble without the collective support of industry and Government, for a market attained must be maintained.

Created as a result of the Agricultural Trade Development and Assistance Act of 1954--otherwise known as Public Law 480--the Council represents the interests of all commodity organizations that participate in the market development program of the U.S. Department of Agriculture's Foreign Agricultural Service.

The Council is nonpartisan. It does not engage in political activities. It exists to provide information on export development at the behest of Congress, other branches of Government, and the public.

The contents of this booklet are a mere reflection of the achievements of the 57 members of the Council in 1981.

Throughout these stories, however, runs the theme of cooperation and collaboration...and the will to create markets for American farmers and to maintain them.

For its part, each year the Council holds the Foreign Market Development Workshop in cooperation with the Foreign Agricultural Service--attended by Council members, Government officials, and representatives of private industry--to map the course of the market development program.

Also, the Council meets annually with agricultural attaches and trade officers to get their ideas on how to expand farm exports and reduce the U.S. trade deficit.

To better serve the interests of all concerned with building a strong foundation for agricultural trade, the Council opened its office in the Nation's Capital in 1980. We welcome your visits, letters, and phone calls to help us do our job even better.

AMERICAN ANGUS ASSOCIATION

Exportation of semen, rather than live animals, received high priority on the Association's promotion agenda in 1981. Foreign breeders were given added information about the Association's performance records program.

Breeders from other countries have also shown increasing interest in buying donor cows from the U.S. at high prices.

The Association sees a large market potential for the export of frozen embryos, and intends to capitalize on this new export opportunity as production techniques are perfected.

AMERICAN HEREFORD ASSOCIATION

When they themselves cannot fill an order, cooperators in the market development program alert fellow members. In late 1980, the American Holstein Association got word that Chile may want to establish a foundation herd of Herefords.

Prospective buyers were given a tour of U.S. ranches, and ended up buying over 800 registered Hereford heifers from South Dakota, Nebraska, and Minnesota.

With the help of Senator Larry Pressler's office, USDA's Foreign Agricultural Service (FAS), USDA veterinarians, and a Hereford breeder who accompanied the air shipment to Chile, all cattle arrived in excellent condition. The Hereford Association expects to do more business with Chile which depends on imports for about a fifth of its beef supply.

The Association is also shipping heifers and bulls to Brazil, as well as semen. Sales of semen to that country, plus Chile, Argentina, and Uruguay, totalled some $100,000 in 1981.

AMERICAN INTERNATIONAL CHAROLAIS ASSOCIATION

Surveys conducted in 1979 and 1980 pinpointed three areas that are ripe for market development by the Association: Mexico, southern Central America, and in South American, southern Brazil, Argentina, and Uruguay.

Canada continued to be the biggest buyer of Charolais in 1981, and the Association is maintaining that market with its own promotional funds.

Now the Association is focusing attention on Mexico, a developing market. Using Association and FAS funds, the Association sent its members to national and regional livestock shows, cattlemen's meetings, cattle sales, and promoted Charolais in trade journals of Mexico. Outcome: an increase in sales of more than 55 percent to 165 head valued at some $330,000, not including semen sales.

All told, export transfers of Charolais to all countries more than doubled during 1981 to over 1,000 head.

AMERICAN POLLED HEREFORD ASSOCIATION

An Association representative traveled to Zimbabwe and England to stimulate market demand for American Polled Herefords.

For years, Zimbabwe breeders had been unable to get stock from the outside because of a civil war and the economic problems it created. As a gesture of friendship, the Association shipped semen at no cost to Zimbabwe, which could become a $30,000 market for U.S. breeders.

Shortly after the Association representative returned from Zimbabwe, a Hereford breeder in that country placed an order for two highly priced bulls from the U.S.

AMERICAN QUARTER HORSE ASSOCIATION

U.S. breeders sold some $16 million worth of quarter horses in nearly 60 countries. The Association credits its achievement to technical assistance, judging at horse shows, media advertising, and seminars in showing and training.

The Association established Quarter Horse Associations in Australia, Brazil, England, Italy, Mexico, New Zealand, and West Germany. Associations in Uruguay and Paraguay will be added to the list in the spring of 1982.

The Association, by helping set up the Mexican Quarter Horse Association, generated export sales of close to $1 million. Venezuela imported $315,000 worth, and Italy, close to $100,000.

AMERICAN SEED TRADE ASSOCIATION, INC.

The Association opened the doors to a new market–Yugoslavia, which purchased 15 varieties of U.S. forage seed. Groundwork for the sale goes back to 1978 when the Association sent a seed team to Yugoslavia.

The seed team found good prospects for breaking into the Yugoslav market and decided to send a team of technicians to Yugoslavia to help establish field trials of U.S. forage varieties. Impressed by the results, Yugoslavia awarded a third of its 576-ton tender to American suppliers.

AMERICAN SOYBEAN ASSOCIATION

From Latin America to the Far East, the Association has developed viable markets for U.S. soybeans, soy meal, and soy oil. A sampling of its wide-ranging activities:

In Mexico, the Association and FAS expanded exports of beans and meal to that country through feeding trials, conferences, team visits, and technical services.

Since 1970, exports to Mexico have soared from $17 million to nearly $350 million. The Association sees business rising to a billion dollars in the next 10 years with persistent market development efforts.

Soy protein from the U.S. has [illegible] another winner with Latin American clients. Every country now uses soy protein in some form–for meat extenders, fortified crackers, bread, milk extenders. Working with nutritionists in Mexico, the Association has helped create exports of soy protein to Latin America of some 25,000 metric tons, five times the volume of shipments of 1976.

In West Germany, soy oil–used in poultry rations for many years–is now going into hog rations. Heightened interest grew out of the Hog and Poultry Fair at Hannover, West Germany, in 1981, when Association representatives and the German Oil Millers' Association worked together to generate numerous requests from hog producers for more information on feeding soy oil to hogs.

Also in West Germany, the Association distributed about a dozen food recipes using soy oil to more than 250 food editors. A printing company reproduced the recipes in a book called *New Salad Dishes*. Of the 180 recipes, 140 called for soy oil. Some 100,000 books are on sale in Germany, and will also be sold in Austria, Switzerland, and in 1982, in the Netherlands.

Jordan may be turning from Europe to the U.S. for soy meal. The Association invited Jordan's largest broiler and egg producer to introduce him to an inexpensive, efficient corn-soy ration. Since his visit in 1977, U.S. sales to Jordan have increased from under a half million dollars to around $6 million.

A vast new market for U.S. soybean oil and texturized soy protein may soon open in Japan, where the Association has been working with Japanese soybean processors to promote salad bars using soy oil dressings and soy protein foods such as bacon bits.

A rice surplus led the Association to join hands with the Japanese government to promote recipes using rice and soy oil. Sponsors held "Rice, Soybean Oil, and Soy Foods" seminars for 600 nutrition leaders who will spread the words to over 60,000 consumers.

In South Korea, the Association opened an office in Seoul to contact prospective buyers and inform them of procedures to buy U.S. soybeans.

Taiwan, a large market for U.S. soybeans, has a problem selling the by-product–soy oil. The Association teamed up with oil millers to promote the oil over T.V. and radio and in magazines and newspapers. Oil sales jumped nearly 25 percent in 1981.

APPALOOSA HORSE CLUB, INC.

The Club is well on the way to establishing markets for the Appaloosa horse in Central and South America, as well as in Europe and Australia. The Club provides expert technical assistance in show judging, horse care and handling, and uses of light saddle horses.

Other promotional activities include information brochures in several languages, demonstrations, video cassette films, and assistance to local Appaloosa organizations in foreign countries.

BROWN SWISS CATTLE BREEDERS ASSOCIATION, INC.

The jury is still out, but the Association estimates that Mexico will order several thousand head of American Brown Swiss as a result of contacts established by the Association. Mexico invited bids for 24,000 head of dairy cattle last year, and an Association representative put in a good word for U.S. suppliers when she visited that country.

Heretofore, many in the Government of Mexico who tendered the bid knew little about Brown Swiss enterprises in the U.S. Other U.S. dairy associations, FAS, and the Mid-American International Agri-Trade Council worked in tandem to win a larger share of Mexico's business for U.S. dairymen.

Association judges participated in a cattle show in Colombia. That show alone generated orders for 35 top-quality Brown Swiss, valued at around $70,000 in toto.

CALIFORNIA ALMOND GROWERS EXCHANGE

The Exchange is penetrating Japan's market for processed foods by providing the trade with information and publicity on using almonds in a variety of products.

Two examples of new products resulting from this marketing effort: the California Sausage, containing about 10-percent almonds, and the Almond Cutlet. The latter, developed by a leading Japanese food manufacturer, is a frozen cutlet coated with flakes of Blue Diamond almonds. A nationwide advertising campaign emphasizes that almonds add rich flavor and extra nutritional value.

Other products being promoted by the Exchange include almond tofu, almond natto, and almond cream.

CALIFORNIA AVOCADO COMMISSION

Despite a record avocado crop in Europe, the Commission chalked up record sales to France through aggressive advertising and consumer education. Exports to the United Kingdom also showed sharp gains, as did those to Japan, where business has increased every year.

CALIFORNIA CLING PEACH ADVISORY BOARD

The Board sponsored a "Spring California Peach Fair" in Japan aimed at the retailer and the consumer. For two months, over 7,200 retailers participated in a display contest featuring canned cling peach slices, peach halves, and canned fruit cocktail. Prizes were awarded for the best display.

To get shoppers to buy the products on display, the Board devised a postcard quiz asking about cling peaches and fruit cocktail, with heavy emphasis on the fact that the products came from California. Responses totalled more than 230,000.

Prizes to winning retailers and consumers included several eight-day trips to California, peach colored Yamaha motorbikes, Sony TV's, cameras, and hundreds of beach balls shaped like peaches.

In addition to peaches, many in-store displays featured other California products such as almonds wine, apricots, and pears.

COTTON COUNCIL INTERNATIONAL

The Council's market development program in the Republic of Korea, which looks to the U.S. for 90 percent of its cotton imports, has become a model for a similar effort in Indonesia.

The Council is working with manufacturers of batik, or dyed fabrics, to develop a promotion plan, and with the textile industry to provide technical assistance via seminars on quality control, processing, and cotton classification.

The 1981 Maid of Cotton stopped in Hong Kong to boost U.S. cotton sales in a month-long promotion of 100-percent cotton. One department store reported a sales-increase of 50 percent during the campaign.

EMBA MINK BREEDERS/GLMA ASSOCIATION

The U.S. mink industry is focusing its export promotion program on Japan, which imported more than $15 million worth of U.S. mink in 1980. Ten years ago, Japan bought only 5,000 pelts, compared with 140,000 following consumer and trade advertising begun in the early 1970's.

The fastest growing segment of American mink sales to Japan and elsewhere is mink apparel and clothing containing mink, with 1980 exports totaling over $42 million, up from $19 million as recently as 1978. The U.S. industry plans even stronger export promotion of clothing sales in the 1980's.

Advertising in fashion journals, auction publicity, and the use of name designers have made the U.S. mink industry a big winner in the world's luxury clothing markets.

FLORIDA DEPARTMENT OF CITRUS

Even though Florida citrus growers suffered one of its worst freezes in history in early 1981 (losses of up to 30 percent), the state managed to achieve about nine-tenths of its goal for sales of processed citrus products to West Europe. The Department credits persistent market development efforts, despite extremely high prices caused by the abrupt reduction in supply.

Exports of fresh grapefruit also held up well. Shipments to West Europe tallied 3.8 million cartons, the second highest on record. Again, promotional programs of European cooperators plus the Department's Trade Incentive Programs were largely responsible. Florida producers and shippers believe that even in years of tight supply, overseas commitments must be honored to maintain loyalty of customers.

HOLSTEIN-FRIESIAN ASSOCIATION OF AMERICA

The Association sponsored the visit of a high level team of Romanians to Hungary, where U.S. Holsteins have been introduced successfully. The team learned about nutultion, herd management, reproduction, proper use of milking equipment, sire evaluation, and building construction.

In the Far East, the Association participated in three seminars given by the Korean Livestock Improvement Association, in cooperation with the Association as well as the National Association of Artificial Breeders, and the American Soybean Association. Major emphasis was on dairy cattle selection, herd management, animal genetics, sire selection, nutrition, and classification.

In the People's Republic of China, the Association joined with the American Soybean Association to present a seminar on dairy cattle breeding, feeding, and management. The People's Republic can barely provide enough milk for its large population, who in the Peking area consume only 23 pounds of fresh milk a year per person.

MID-AMERICAN INTERNATIONAL AGRI-TRADE COUNCIL (MIATCO)

MIATCO and its cooperators made a $2 million-plus sale of 800 cattle to Saudi Arabia in 1981 as a result of a visit of a livestock survey team to the Middle East.

The survey team also made valuable contracts with the region's active traders of dairy cattle, and made available to the trade a report on market structure and opportunities, trade constraints, and channels of distribution.

The project was a cooperative effort of MIATCO, FAS, the National Association of Animal Breeders, the Holstein Fresian Association of America, and the Wisconsin Department of Agriculture.

MIATCO is a nonprofit organization of the Departments of Agriculture of 12 mid-western states, with a Board of Directors consisting of the Commissioners and Secretaries of Agriculture from each member state.

MOHAIR COUNCIL OF AMERICA

A market survey team went to Japan in early 1980 to show textile firms the high quality mohair they could get from U.S. suppliers. Since then, U.S. exports of mohair have nearly doubled, with sales to Japan at over $83,000 in 1981.

To convince Japanese consumers that U.S. mohair is synonomous with quality, a large manufacturer and distributor of yarn in Japan agreed to work with the Council in a mohair judging contest which U.S. producers may enter. Yarn made from this mohair will be featured in a special promotion program.

NATIONAL ASSOCIATION OF ANIMAL BREEDERS

Association representatives made strides in negotiating with West German and Italian authorities to implement changes in import requirements affecting frozen semen from the U.S.

West Germany–No. 1 buyer of U.S. cattle semen–had closed out its market to U.S. semen exporters because of a misunderstanding over the testing of bulls for brucellosis. That matter has since been resolved, and U.S. shipments have resumed to this $4-million market.

In Italy, the Association reached an agreement with the Italian Friesian Assocation establishing an improved system of approving bulls for semen imports into Italy, third largest customer for U.S. livestock semen exporters.

Brazil, fourth largest importer, has relaxed its import requirements as a result of a visit to that country by a U.S. veterinarian, arranged by the Association.

NATIONAL ASSOCIATION OF SWINE RECORDS

Malaysia bought more than 100 head of U.S. swine through arrangements made by the Association.

U.S. exporters met with a team of Malaysian pork producers, government officials, and industry leaders. The Association provided a forum for the group, allowed them to select the exporter of their choice, and accompanied the team on herd visits in Indiana.

Association officials plan a visit to Malaysia in 1982 to observe the purchased breeding stock as well as to explore other opportunities for developing this new market.

NATIONAL FOREST PRODUCTS ASSOCIATION

The Association became an FAS cooperator as recently as October 1979, but already the program is on the move.

An European headquarters was opened in Hamburg, West Germany, in the Agricultural Trade Center by the National Lumber Exporters Association, which represents the U.S. forest products industry. The industry intends to promote increased use of U.S. hardwood lumber in Europe. Exports now total $100 million a year, and should mount steadily with the new market development plans.

The American Plywood Association, an affiliate of the National Forest Products Association, added a new office in London, England. As a result, plywood exports to Europe should hold near the $50-million level of recent times, despite the faltering European economy. Substantial growth in sales is expected as the market normalizes.

The softwood industry, represented by the Southern Forest Products Association, is planning to promote southern pine in Europe, and has held seminars in the Caribbean on the uses and applications of southern pine lumber.

NATIONAL HAY ASSOCIATION

As a result of the FAS trade opportunity referral system, the first sale of baled hay from Michigan was shipped to the United Kingdom in 1981. Since then, sales have grown to 2,600 tons, valued at $400,000.

Market promotion efforts have been expanded to include purchases from three U.K. importers for 10 different accounts and direct shipments to five horse farms.

NATIONAL PEANUT COUNCIL

The work of this Council exemplifies the meaning of "market maintenance". The U.S. had a short peanut crop in 1980 but the Council kept existing promotional programs in motion.

One long-time buyer of U.S. peanuts, a peanut butter firm in the United Kingdom which works closely with the Council, decided not to raise consumer prices very much–only 4 percent from the previous year. The company continued to advertise over T.V. Sales actually rose 14 percent.

Another U.K. firm undertook a promotion campaign with the Council for their dry roasted peanuts, labelled "Prime American Peanuts". Using T.V. and press advertising combined with sales promotion, sales swelled to the point where this brand dominates almost 40 percent of the total market.

In the Netherlands, the Council helped a leading peanut processor in a campaign built on the theme that the U.S. grows the world's finest peanuts and that the Dutch processor uses only the best. Shoppers got a ceramic Uncle Sam peanut server–a hat– and the hat was featured in magazine ads and in-store displays. Radio spots and leaflets also played a role in generating an 8-percent increase in sales in just 8 weeks.

A similar campaign in Austria–peanuts in bags identified as "the best from America"–resulted in a sales gain of nearly 45 percent over the previous year.

And from West Germany came the German peanut princess, with an entourage of German food editors and industry representatives, on a tour of U.S. peanut producing areas when the 1981 harvest came in. Media coverage was outstanding.

NATIONAL POTATO PROMOTION BOARD

The U.S. has captured 90 percent of the Japanese import market with the introduction of fast food chains, such as MacDonalds, using U.S. frozen french fried potatoes.

The Board has been working with FAS since 1978 on a potato promotion project in Japan. The Board programs encouraged U.S. processors to recognize the market potential, and urged them to beat out the competition, which was intense.

U.S. potato exports to Japan jumped from 15,000 metric tons in 1978 to close to 27,000 tons in 1980.

NORTHWEST HORTICULTURAL COUNCIL

Major fruit importers of Finland came to Washington and Oregon to meet with growers of the fruit (apples, pears, and cherries), and turned in a good report card.

The upshot of this and other promotional activities of the Council was an increase in U.S. apple exports to Finland of nearly 80 percent from the 1979/80 shipping season volume.

Even more dramatic was the spurt in apple shipments to Taiwan, where exports were more than 20 times the level of 1978/79. FAS and the Council attribute the jump to several factors, including the distribution of point-of-sale materials and other promotional aids. In addition, leaders of the U.S. fruit industry went to Taiwan to help resolve shipping and promotional problems.

The Council's representative in Europe averted potential problems in the United Kingdom by explaining the contents of waxes used by Northwest apple shippers.

POULTRY AND EGG INSTITUTE OF AMERICA

Leading poultry importers in Switzerland cooperated with the Institute in point-of-sale promotions that resulted in a gain in the market share held by U.S. exporters, up from 3.5 percent to 4.7. At one supermarket, turkey sales grew by more than 25 percent following a promotion campaign.

Hong Kong's largest fast-food chain joined with the Institute to market chickenburgers made from U.S. poultry, and sold 43,000 pounds in one week alone.

In the United Kingdom, a highly competitive market, an importer worked with the Institute to boost his share of the market for turkey breasts and other turkey products. Orders of U.S. turkey doubled in the first six months of the promotional effort.

In Singapore, where the U.S. already has three-quarters of the poultry market, the Institute is determined to push its market share even higher.

For example, at an American Fair in Singapore, a supermarket group in cooperation with the Institute presented cooking demonstrations, using local poultry recipes, inside its stores. Two supermarkets reported sales gains of 350 percent.

RICE COUNCIL FOR MARKET DEVELOPMENT

Fifteen years ago, more than 15 percent of all U.S. rice that was exported consisted of concessional sales under the Public Law 480 program. Today, 90 percent of overseas shipments are commercial sales, owing in large part to market development.

Last year alone, rice exports spurted 11 percent following promotion programs directed at editors of magazines and publications, advertising, and brand incentive programs where brand packers not only pack, but also actively promote American rice.

The Council also provides worldwide servicing of trade and foreign government agencies, such as giving advice and helping out with display promotions.

The Council's major objective has been to change eating habits to expand both the total consumption of rice, as well as to increase the market share of U.S. long grain rice.

SOUTHERN UNITED STATES TRADE ASSOCIATION (SUSTA)

The Association, a nonprofit association of departments of agriculture in 15 southern states and Puerto Rico, participated in nearly 50 international trade shows over the past seven years.

Since 1976, the Association and FAS have sponsored annual international food and agriculture trade shows in New Orleans–the largest food exhibit in the U.S. devoted exclusively to the promotion of American food exports. On average, these shows produced over $4 million a year in on-floor sales, and an estimated $40 million a year in follow-up sales.

Agricultural exports from the 15-state area represented by the Association were approximately $15 billion, or about one-third of all agricultural exports by the U.S.

The Association's marketing specialists traveled to more than 40 countries in fiscal year 1982, publicizing the advantages of doing trade with the world's leading producer of farm products.

SUNKIST GROWERS, INC.

By advertising, Sunkist upped its sales of lemons to Japan by $7.7 million in the 1979-80 season to approximately $45 million. Lemon shipments would have increased even more had it not been for the Mediterranean fruit fly.

Media advertising focused on T.V. advertising in the peak months of lemon sales in Japan. Over 1,300 T.V. spots, 15 seconds each, were carried in cities containing some 70 percent of all Japanese households.

Also, Sunkist worked with retail distributors to convice them to broaden the range of grades and sizes of lemons available to shoppers, with the result that prices became more attractive when consumers had a wider variety of lemons to choose from.

TANNERS' COUNCIL OF AMERICA, INC.

In just two years, the Council and FAS cultivated a fertile market for the U.S. leather industry in the People's Republic of China. That country has since become the No. 1 foreign buyer of U.S. leather, taking $49 million worth in 1980 (latest available data)–up from $3.8 million in 1979.

In 1980, the Council's president visited the People's Republic to discuss prospects for the development of the leather and leather products industry in China. In the same year the Council sent a team of technicians to participate in the U.S. National Exhibition in the People's Republic held in November and jointly sponsored by the U.S. Department of Commerce and USDA.

In late 1981, the Council and FAS hosted a reciprocal visit of Chinese technicians to the U.S. to meet with officials of tanning companies and researchers.

Chinese officials told the Council of their intentions to expand the use of leather footwear and other consumer goods. The prospect of selling leather for shoes for a billion people should tantalize every U.S. tanner.

U.S. FEED GRAINS COUNCIL

The Council sent consultants to the People's Republic of China to help the Chinese upgrade the efficiency and output of their feed processing industries. Such technical assistance should bring about greater capacity in feedgrain processing, and create a larger market for U.S. feedgrain producers and exporters.

In Poland, a feeding trial set up by the Council demonstrated to farmers that weight gains for lambs could be increased by 55 percent if producers used a premix formula prescribed by the Council. A similar trial in Yugoslavia resulted in an expanded program for a 5,000-head lamb feedlot in 1982. Poland also wants to expand its program, and a third country in East Europe will try it this year.

Japan's biggest dairy cooperative has been introduced to the testing of high-energy feed rations using computers. A computer analyzes forage samples sent in by farmers, and tells them how to develop least-cost feed formulas for their dairy cows.

The Council co-sponsored an introductory seminar in grain marketing in Lisbon, Portugal, to instruct millers, bankers, and shippers in the basics of buying grain on the open market. In the past, Portugal's private grain users have purchased grain through a central government agency. But when Portugal joins the European Community in three years, the private sector will have to buy grain on its own.

Seminars like this should insure that Portugal will continue to get all of its feedgrain imports from the U.S.

U.S. MEAT EXPORT FEDERATION

Since 1976, the Federation has concentrated its promotional efforts on its traditional markets in Europe and Southeast Asia. In 1981, marketing activities have expanded into rapidly-developing markets in the Far East (Singapore and Hong Kong), the Middle East, and the Caribbean/Latin American region.

In Singapore and Hong Kong, the Federation hired consultants to work with the trade and to encourage the use of U.S. beef, pork, variety meats, and by-products.

In the Middle East, which is becoming a strong market for American beef as well as a potential market for lamb, the Federation took part in food shows in Bahrain, organized trade seminars and workships there, and hosted the first U.S. beef menu promotion. A supermarket chain received a trial shipment of beef and will be hosting in-store promotions.

The Federation began marketing programs in the Caribbean/Latin America region to fill shortages of pork in Venezuela and the Dominican Republic. Exports of U.S. pork meat to these countries may double or triple in 1982. To stimulate sales, the Federation has conducted market survey trips, product promotions and demonstrations, trade servicing programs, and has sponsored foreign trade team visits to the U.S.

Latest available figures (for 1980) showed U.S. meat exports totalled $763 million, up from $742 million in 1979.

U.S. WHEAT ASSOCIATES, INC.

Exports of U.S. wheat to Brazil, top customer south of the border, should hit a record 3 million metric tons in 1981-82, compared with less than 600,000 tons just five years ago. Market development by U.S. Wheat in cooperation with FAS has been the kingpin in this success story.

Typical of ongoing market development in Brazil is the "Milling Short Course for Brazilians," conducted recently at Kansas State University. In two weeks, prominent milling officials in Brazil received a cram course in Hard Red Winter wheat, the main class of wheat imported by the Brazilian Wheat Board. They learned about U.S. milling technology by working in the laboratories at Kansas State, attending classroom lectures, and reading literature--all to help them do a better job in their milling operations and especially, in milling wheat from the U.S.

Participants in the milling course carried home the message to the Brazilian Wheat Board that when it comes to high quality wheat, the U.S. has the best to offer. Millers associations in Brazil have asked U.S. Wheat to host another seminar. In fiscal 1981, the U.S. garnered about 65 percent of Brazil's import market, which ranks fourth among all world markets for U.S. wheat in dollar value.

In Japan, third largest market, U.S. Wheat has developed close ties with that country's four largest flour milling companies, accounting for nearly 70 percent of the wheat Japan imports each year.

In 1981, U.S. Wheat and these firms carried out joint promotions reaching more than 50,000 bakers and 360,000 consumers, plus 70,000 retail stores and thousands of flour wholesalers, pasta manufacturers, and trainees in home baking.

In Taiwan, U.S. Wheat and the Provincial Department of Education set up three baking centers in 1971 to promote wheat-based foods and awareness of nutrition. The program was so successful that the Department of Education has established 10 new facilities to serve the Taiwan School Lunch Program, serving more than 300,000 children, with an average consumption of wheat flour of 5,400 metric tons a year.

U.S. Wheat played a key role in expanding the cracker and bisquit industry in the Republic of Korea through consultations and recommendations for plant layout and equipment. Korea now has 28 modern production lines versus only 3 when U.S. Wheat established its office in Seoul in 1972. All of Korea's imported wheat comes from the U.S. The biscuit/cracker industry takes 10 percent, up from 1 percent in 1972.

When U.S. Wheat assessed the potential for wheat exports to Sri Lanka in the late 1970's, it set a goal of getting 50 percent of the import market for flour.

The first year's goal was 30 percent of the market, inasmuch as Australia had been Sri Lanka's traditional supplier. That goal, for fiscal year 1981, was modest. Through intensive market development, U.S. Wheat succeded in winning 60 percent of the market share. Even more significant, roughly half of the wheat and flour sales to Sri Lanka was for hard cash. Until last year, almost all U.S. flour sales were under Public Law 480.

In brief, market development consisted of: (1) Sponsoring two trade teams to the U.S. to study the U.S. grain marketing system, (2) Sponsoring visits of consultants and technicians to Sri Lanka to assist wheat-related industries in improving and modernizing their facilities, and (3) Providing marketing information to Sri Lanka officials to help them when making wheat purchases, including reports on the worldwide wheat situation.

The People's Republic of China is the biggest buyer of American wheat but U.S. Wheat believes the sky's the limit. In the fall of 1981, Secretary of Agriculture John Block and the Board Chairman of U.S. Wheat, William L. Hulse, went to China to dedicate a model demonstration bakery in Peking planned by U.S. Wheat in cooperation with FAS.

The $1.5 million bakery features the latest in bakery machinery, and provides training in product preparation for bakery personnel. Before the construction of the bakery, Chinese bakers attended a 19-week course in advanced baking techniques at the American Institute of Baking in Manhattan, Kansas.

WESTERN UNITED STATES AGRICULTURAL TRADE ASSOCIATION (WUSATA)

WUSATA arranged for a sheep mission to Mexico that came back with an order for 2,000 ewes from the western states.

Representatives of the Mexican sheep industry have also expressed interest in visiting the western U.S. to learn more about the availability of breeding stock.

The team consisted of 11 producers and State representatives of five member states of WUSATA, a nonprofit Association of the Departments of Agriculture of eight northwestern states and American Samoa.

Mr. WEEMS. We must apologize. One of our members is not present this morning—Mr. Ward of the National Forest Products Association. He, obviously, thought we did so good the last time, we could handle it without him.

Mr. Chairman, I am a soybean and wheat farmer from West Point, Miss., and I also served as chairman of the Market Development Committee of the American Soybean Association.

I am here today with Dave Hull, Cotton Council International, and I know that none of you needs an introduction to the good the council is doing, but a lot of people don't realize that forest products are also an agricultural commodity. They are the fifth largest agricultural export commodity.

As you have stated, you would be glad to place our complete testimony in the record, so we will let that suffice.

VALUE OF U.S. AGRICULTURAL EXPORTS

Today, I represent the members of the U.S. Agricultural Export Development Council. You know, I am sure, the unique example of Government and private industry working together to export American agricultural commodities.

I also know that you are aware of how vital exports are to our crops. We export over 60 percent of our wheat, rice, and cotton, 53 percent of our soybeans, 40 percent of our tobacco and 30 percent of all other feed grains.

I would like to focus on an analysis recently undertaken of a joint activity between FAS and the cooperators to develop an impact/cost analysis.

We are trying to quantify the precise effect of our activities and to help us decide where we can best place our money and where we are going from here.

Briefly, we tried to identify prior ties such as priority commodities, markets for these commodities, baseline projections if present programs are merely continued, constraints these programs might address, and the cost to increase and develop sales in these markets. The bottom line, how we could concentrate our resources to the best possible effect, particularly in these times of budgetary constraints.

The results of these analyses revealed significant figures on what can be done with additional funding and its effect on our national and farm economies.

Though we support the budget request for 1983, we would request that you keep in mind the rising costs, inflation, and lower returns to farmers.

Also, more commodity groups are participating in the market development program.

EXPORT CREDIT REVOLVING FUND

Finally, we are convinced that the export credit revolving fund authorized by Congress in the 1981 farm bill is essential to exports. We urge your committee to take action and to see that $1 million, at least, is made available as seed money for this fund in 1983, if it cannot be done in 1982, that is.

We would encourage you to be familiar with Representative Paul Findley's bill, H.R. 5388, I believe it is, that authorizes funding for 1982 at the $500 million level.

We would probably need additional appropriations in addition to the $1 million until the fund starts generating money from repayments of the principal and interest. But this is surely the best possible investment this country can make in American agriculture at this time.

Mr. Chairman, we appreciate your letting us come before you and testify and bring these matters to your attention.

Dave and I will be glad to respond to any questions that you might have at this time.

Senator COCHRAN. Thank you. I appreciate your being here and giving us this information.

I think what you said confirms the notion that we have to continue to increase our involvement in export market development if we are going to keep pace with the need to increase sales abroad so we can restore profitability to farming operations.

That is one of the key ingredients of an effective farm policy, in my judgment. With low net income and other problems plaguing our farmers, I think the Government has to demonstrate its willingness to cooperate with the American Soybean Association and your association for export development in order to do a better job in getting more of our commodities and overseas commerce competing effectively out there.

I was glad to see the subcommittee go along last year with an increase in funding for the Foreign Agricultural Service and its export program. This year, we are being requested to increase that still further by $11.5 million. Four million dollars of that is designed to go into foreign market development specifically.

We hope that we can see real progress made in this area, particularly a higher volume of sales abroad, but maybe not as much dollar amount value received because of the strength of the dollar and other international monetary conditions that exist.

I think the private sector deserves much of the credit for the success of these market development programs, and I am confident that it will continue to be involved in an effective way to improve our sales abroad.

I noticed figures the other day that in Japan there are 13 people for every one American involved in export promotion. We wonder why we are behind and have an $18 billion trade deficit with Japan. I am convinced one reason is that we are just not doing enough in the export promotion area. We don't have enough people involved or enough resources devoted to long-term market development. But that is improving. I think we are becoming more export minded; I think this administration is showing more aggression toward establishing trade policies that will be of great benefit to our export efforts.

People forget, too, that exports mean jobs—for every $1 billion sold in overseas commerce, 26,000 jobs are created here in the United States. You touched on some of those facts in your statement. This is very important in our effort to do something about the high unemployment rate that exists right now. That is one of the best jobs programs, in my judgment, we can have.

EXPORT CREDIT REVOLVING FUND

I wonder about the observations you make about the export credit revolving fund. Would it do any good as a start to establish a funding level for the revolving fund of anything less than $500 million? I know you asked for $1 billion in start funds. Would there be any lower level of funding that would be effective to actually begin a workable CCC revolving fund?

Mr. HULL. Mr. Chairman, I will comment on that. Certainly $1 billion would be most useful and most gratifying, but we among the cooperators—cotton, soybeans and all others—attach so much importance to the revolving fund that we would be happy to start out with $500 million seed money, and we think it would pay off in major dividends down the road.

If we cannot get $1 billion—my point is, at least let's make a start to see what comes of it. With repayments into the fund, and when the budget situation improves, let them refurbish the funds, but let's start with that. The GSM 102 credit program is good, but it does not provide the stability and confidence that would be provided by a revolving fund.

I am being somewhat redundant here, but let's make a start and get it working, and I think we will all be gratified with the results in the export programs.

Senator COCHRAN. There are some who say that we already have a credit program, and we already have the authority to provide credit to help sell American products abroad. We have a Public Law 480 program to provide credit sales, and we do not need another credit program.

What is the answer to that argument?

Mr. HULL. I think we do need a credit program. Just for example, Mr. Chairman, I will take Korea. We now have a request for $100 million.

Now, in the past, one or two banks have been able to come up with the $100 million or $200 million, whatever it may be. But let's just say, for example, that we cannot get enough banks together to provide the credit which is guaranteed by GSM 102, which is a credit guarantee program; you know that. That could go on for 3 or 4 months. In the meanwhile, the price of cotton has gone down; the price of soybeans has gone down, and we lost the market.

However, if we have a credit fund which offers stability to our foreign customers so they can plan ahead, we think we would be much better off and on much sounder ground.

Senator COCHRAN. Does the banking industry support this?

Mr. HULL. Yes, sir.

Senator COCHRAN. It would not be subject to the argument that it would be a bail-out for the big banks; would it?

Mr. HULL. No, sir.

If you talk other than Poland, because that was not a USDA decision, as you know——

Senator COCHRAN. Well, I am interested in our having a full discussion on the possibility of funding for a revolving fund. We are, of course, up against a plea to hold down spending this year just like last year, and many of these discretionary programs are coming under careful scrutiny. The Budget Committee is at work now trying to develop targets for us to be bound by this year in the appropriations process, and we do not know what those targets will be or what the constraints will end up being on this subcommittee.

But I am sympathetic to this need. So I will assure you we will take a look at it and discuss it fully in the subcommittee before a decision is made.

Mr. HULL. Mr. Chairman, if I might interrupt you, one possible source of cheap money is the Ex-Im Bank. If the Ex-Im Bank loaned money for a revolving fund to USDA at 12 percent, we would be way ahead of the game there.

Senator COCHRAN. Well, Ex-Im has come under fire, too, on this, this year. Last year, there was a battle over that in the full Appropriations Committee. It surely is an area that should be considered, though.

Thank you, Dave, and Ralph.

Mr. HULL. We appreciate your interest very much, Mr. Chairman.

AMERICAN SOYBEAN ASSOCIATION

STATEMENT OF B. B. SPRATLING, JR., BOARD MEMBER, AMERICAN SOYBEAN ASSOCIATION

Senator COCHRAN. Our next witness will be B. B. Spratling, board member of the American Soybean Association.

We understand that we do have Mr. Graves present now, and after we conclude the testimony of Mr. Spratling, we will go back to Mr. Graves.

Welcome.

Mr. SPRATLING. Good morning.

I am B. B. Spratling, Jr., and as first vice president of the American Soybean Association, I appreciate this opportunity to present ASA's comments on the fiscal 1983 budget for the U.S. Department of Agriculture.

As I present this testimony, I would like for you to remember three points that you are probably aware of.

First, the American Soybean Association is a national farmer-controlled single commodity association organized to build profit for soybean farmers. More than 475,000 soybean farmers provide financial support for promotions, research and education projects through membership and participation in one of 23 State soybean checkoff programs.

Second, soybeans have emerged from near obscurity to become the Nation's No. 1 crop in cash sales. It is the No. 2 cash farm export and No. 2 crop in harvested acreage. During calendar year 1981 alone, the United States exported more than $8.2 billion of soybeans, soybean meal, and soybean oil.

The third point is I am a full-time soybean farmer in Alabama. As a farmer, I want to remind you of the severity of the current problem. I understand there is a recession in many segments, but I could recite some horror stories of erosion of the equity of the American farmer in Alabama and throughout this country. I am not here to talk about recession, because you are much better informed than I of what is going on and have a general picture, but neither am I here seeking short-term tax-draining Federal farm support programs. Rather, I would like to think I am here to ask for increased funding for long-term programs that benefit the farmers and consumers and to build a base for our economic stability.

I think you share our opinion that we have to start at the bottom and build up, and it is a very basic thing. Specifically, I think the farmers need increased funding for agricultural research, efficient transportation, and export market development.

AGRICULTURAL RESEARCH AND CONSERVATION

As outlined in my written statement, we recommend the following for agricultural research and conservation: Increased funding for the Smith-Lever education program, continued emphasis on basic and applied soybean production research, renewed emphasis to maintain and distribute critical soybean germplasm, and its basic research efforts to identify factors which limit consumer acceptance, and to identify potential for vegetable oils as alternatives to petroleum-based products. A Virginia Polytechnic Institute analysis shows it needs $1.76 for every $1 invested.

Neither consumers nor farmers will profit if we are not able to transport our products to the markets, and the U.S. Department of Agriculture's Office of Transportation offered a stronger voice in the U.S. transportation crisis. ASA urges strong congressional support of this effort.

Finally, we seek a major increase in funding of USDA's Foreign Agricultural Service market development program, and, as you all were discussing a few minutes ago, a $1 billion appropriation for a CCC export credit revolving fund.

The joint market development program of USDA's Foreign Agricultural Service and the ASA was successful. In fact, a study showed export sales revenue increased $220 for every FAS dollar invested. But Senator, our efforts are increasing competition from other nations, and ASA favors a fund to allocate to the Foreign Agricultural Service only fifteen one hundredths of 1 percent of the total soybean export value. This means, however, increasing FAS funds for soybean market development to $12.35 million.

Would such appropriations be affected? Yes; I think so. Each dollar invested in FAS soybean market development could generate $10.83 in additional taxes. And failure to invest small amounts of Federal—not really small, but failure to make this investment of Federal dollars in these four programs will ultimately require huge amounts of tax dollars in farm support programs.

We need these investments now, and not handouts. I thank you for the opportunity to present these views, and if there are any questions, I will attempt to answer them.

Senator COCHRAN. I appreciate your being here, Mr. Spratling, and providing this information on behalf of the American Soybean Association and giving us the benefit of your personal observations.

I think you mentioned some areas that are often overlooked as necessary ingredients to having an effective and healthy agricultural economy; that is, transportation in particular, and it is an impediment in many countries and actually limits our ability to produce and sell in overseas markets.

This does need the attention of the Congress, and we ought not overlook the important role transportation plays in our overall economy.

I have already commented, as you know, about the revolving fund and the appropriate level of funding for export promotion.

I recall hearing a story about a farmer in Brazil, near Brasilia in the interior of the country, who was growing soybeans and had tremendous yields. He had 40 to 45 bushels an acre yield, but because of the expense of getting the soybeans to ports for export, he was not going to grow soybeans the next year. He would have that land in pasture and do something else with it.

That is an example of how transportation facilities can improve and make profitable a farming operation or how it can make you go broke.

Mr. SPRATLING. I think it is nice he has that problem, and I hope we develop such a problem.

Senator COCHRAN. I was encouraged by hearing that problem.

Thank you for being here. We appreciate your help.

Mr. SPRATLING. Thank you, sir.

[The statement follows:]

PREPARED STATEMENT OF B. B. SPRATLING, JR.

AMERICAN SOYBEAN ASSOCIATION

Mr. Chairman and members of the Subcommittee, my name is B.B. Spratling, Jr. I am a farmer in Roba, Alabama, where I raise soybeans, livestock, milo and wheat. As president of the American Soybean Association, I appreciate this opportunity to present ASA's comments on the President's Fiscal Year 1983 Budget Request for the U.S. Department of Agriculture.

As I present my testimony, I'd like you to be aware of three points. First, the American Soybean Association is a national, non-profit, volunteer, farmer-controlled single commodity association organized to build profits for soybean farmers. More than 475,000 soybean farmers provide financial support for our export promotion, research and education projects through membership and voluntary investments in 23 state soybean checkoff programs. Second, soybeans have emerged from near obscurity to become the nation's No. 1 crop in cash sales, No. 2 cash farm export and No. 2 crop in harvested acreage. Total soybean production doubled from just over one billion bushels in 1970 to just over two billion bushels in 1981. During calendar year 1981, the U.S. exported more than $8.2 billion of soybeans, soybean meal and soybean oil. Soybean exports represent 20 percent of the total U.S. agricultural exports and four percent of all U.S. exports. Third, as a full time farmer, I want to remind you of how severely farmers have been affected by the current recession. Even so, I'm not here with my hand out seeking short-term, tax-draining federal farm support programs. Rather, I'm here to discuss longer-term programs that benefit farmers and consumers and that will build the base for agriculture's economic stability.

Today, I plan to discuss the need for adequate funding of agricultural research, action on conservation and transportation additional funding for soybean export promotion programs. We are living today on yesterday's investments. Tomorrow's demand and production base depend on today's allocations for export promotion, agricultural research, conservation education and efficient transportation.

AGRICULTURAL RESEARCH AND CONSERVATION NEEDS

Rapidly increasing acreage has characterized the recent supply side of the soybean equation. In the past 11 years, soybean acreage has increased by a third -- from 42 million acres in 1970 to 68 million acres in 1981.

Many agricultural economists say world demand for U.S. soybeans will double over the next decade. U.S. soybean farmers can meet this dramatic increase in world needs only if we jointly support an aggressive research effort to uphold soybean profitability through improved yields, reduced production costs and continued post-harvest quality of soybeans and soybean products. U.S. productive land resources are finite. ASA believes the federal investment in basic and applied soybean research and conservation programs should equal the nation's interest in maintaining a healthy soybean industry.

Soybean farmers support their commitment to agricultural research. In 1982, they will invest $3.5 million of their own funds for soybean reseach projects. These farmer research funds compliment federal and state research programs. The monies are used to expand research projects through better use of the base funding, additional technical assistance and supplies and equipment. Congress should give top priority to the following areas:

1. SOYBEAN PRODUCTION RESEARCH. We strongly urge Congress to continue emphasis on basic and applied soybean production research. ASA recommends increased soybean research at federal laboratories and state universities. Currently, state experiment stations perform almost 60 percent of the publicly-funded food and agricultural research. Cooperating institutions perform three percent while the U.S. Department of Agriculture conducts the remaining 37 percent. If this Subcommittee considers shifting the delicate funding balance between state and federal soybean research, ASA would support more soybean research administration at the federal level and more emphasis on actual research support by the state agricultural experiment stations at state universities.

   Expanded support for basic soybean research provides important benefits to farmers through yield improvements. Increased emphasis should be placed on building the knowledge base of how the soybean plant grows, develops and produces. This will allow researchers to take advantage of future genetic engineering advances. U.S. soybean farmers also seek increased applied research about the impact of each component of soybean production to allow us to increase our yields. Priority should be given to a research effort to develop a better understanding of the production factors affecting soybean yields. Basic research programs should be aggressively funded to establish the biochemical basics of plant stress, insect tolerance and disease resistance. Research should also be expanded on cyst nematode control, genetic improvement of soybeans, and weed and insect control. ASA seeks aggressive research support through Hatch Act formula funding and through USDA Agricultural Research, Cooperative State Research Service, competitive grants or special grants. We also support special weighted consideration for vital basic and applied conservation research that allows development of cultural practices which improve yields yet control wind and water erosion.

2. GROWER EDUCATION. We urge Congress to increase Smith-Lever funding to assure that farmers will continue to have access to university research and cooperative extension programs. These programs represent an important link between researchers and farmers and provide information about new technology that helps farmers increase farm productivity and efficiency.

   Grower education on conservation strategies, especially the merits of low-cost, effective conservation tillage, is vital. While ASA supports voluntary farmer participation in conservation programs, we believe that farmers will undertake reliable erosion control efforts when they can see an economic advantage.

3. SOYBEAN GERMPLASM EXPANSION. Congress should fully support USDA programs to collect, evaluate, maintain, preserve and distribute germplasm. The germplasm base for soybeans must be expanded. This effort will assure U.S. researchers of the genetic base necessary for development of varieties with increased yields, improved disease and insect tolerance and improved quality.

4. POST-HARVEST RESEARCH. We recommend expansion of basic research efforts to identify factors which limit consumer acceptance of soybeans and soy products; reduce processing costs and develop the potential of vegetable oils as an alternative source of petroleum-based products. If federal programs are not expected to fulfill these needs, we urge such research be initiated and funded at the state level.

   We encourage additional federal research to reduce storage, handling and marketing costs for soybean farmers. We need research to discover ways of maintaining the quality of soybeans in storage, transit and processing. These factors only add to the farmer's costs of operation and result in higher unit prices for consumers. Yet, they have long been neglected from our national research effort.

   Agricultural research pays big dividends. A Virginia Polytechnic Institute analysis has shown that each dollar invested in agricultural research returns $1.76. How many other U.S. government funded research programs can demonstrate such a remarkable return on our tax dollar investment? As I mentioned earlier, U.S. soybean farmers have demonstrated their commitment to soybean research with a $3.5 million investment of their own money. The American Soybean Association urges Congress to make a similar commitment to agricultural research.

TRANSPORTATION NEEDS

Neither consumers nor farmers will benefit from our productive capabilities if we are not able to efficiently transport our products to markets. Agricultural transportation faces a crisis. Farm income will be substantially reduced -- and consumer food prices considerably increased -- if transportation systems do not operate efficiently. A strong, separate USDA Office of Transporation assures a sound transportation policy for U.S. soybean farmers. Soybeans need access to a rate-economic rail system, cost-efficient ocean transportation to our foreign markets, increased efficiency at the nation's port-rail terminal facilities, well-conditioned roads and bridges and a smoothly operating inland waterway system. USDA's Office of Transportation serves as a focal point for agriculture on such key issues as the condition of those rural bridges and roads; the impact of truck and railroad deregulation; rail rates for agricultural products and maritime transportation to facilities to export markets. ASA urges strong Congressional support for USDA's Office of Transportation -- its staff and programs. Without their strong voice for agriculture in public policy, soybean farmers would lose a key spokesmen for our intricate U.S. grain transportation network.

EXPORT MARKET DEVELOPMENT NEEDS

Agricultural exports pay huge dividends. They create millions of farm and non-farm jobs. They increase the value of the dollar. They reduce our balance of trade deficit. They generate tax revenues to the U.S. Treasury.

The joint foreign market development program of USDA's Foreign Agricultural Service and the American Soybean Association represents an excellent example of public-private cooperation that benefits all Americans. Through cooperation with FAS, soybean farmers have helped double U.S. exports of soybeans and soybean products since 1970. During the last decade, exports of soybeans and products have totaled $43.7 billion.

A Chase Econometrics study documents the FAS/ASA success. Preliminary results of the study show that market development increased soybean export sales revenue an annual average of $220 for every FAS dollar invested. The study also shows that FAS and soybean farmer market development increased soybean prices an annual average of 11 cents a bushel and increased net soybean cash receipts as much as $10.50 an acre per year.

In FY82, FAS allocated $3.5 million for soybean market development overseas. During the same year, soybean farmers invested nearly $5 million of their own checkoff funds. Private industry and trade associations in host countries have provided services and materials valued at $4.8 million.

The American Soybean Association coordinates and manages this three-way funding for more than 200 market development projects in 76 countries. Our staff of international marketing experts, livestock nutritionists and other specialists are based in 10 international locations.

ASA can proudly describe numerous success stories from our market development projects. For example, an intensive education and promotion program in Europe is producing a dramatic increase in the consumption of full-fat soybeans in livestock rations. This is helping reduce the world surplus of vegetable oil. In Mexico, an aggressive promotion campaign by ASA's Human Nutrition Center has increased human consumption of soybean products 30 percent over two years. Our staff there says human soybean consumption among Mexico's 70 million people will double by 1985.

Although we've made significant progress in promoting the use of soybeans around the world, much work still needs to be undertaken. ASA recently opened its newest overseas office in Beijing, China. With its population of nearly one billion and its 300 million hogs, China could be a vast market for U.S. soybeans. But market development funds need to be expanded for ASA to adequately promote the use of soybeans in China.

The developing nations in Africa, Latin America and Southeast Asia offer exciting possibilities for agricultural exports. Before we can expand these markets, however, programs to improve internal transportation systems, port capacity and basic agricultural methods must be developed and funded. The huge and hungry populations of the Indian subcontinent require equally huge amounts of food. In the past, other agricultural exporters have captured these markets because of more extensive export promotion.

1. NEED FOR FUNDING. From its inception, the joint FAS-commodity cooperator program was designed so farmers and the federal government would share in promoting exports. During the past 10 years, government funds have not kept pace with soybean farmer funding. In 1970, soybean farmers invested only 19 cents for every FAS dollar. Today, soybean farmers invest about $1.50 for each FAS dollar and farmers have difficulty understanding why government appropriations have not kept pace.

   ASA proposes a new funding strategy for export promotion programs. Federal investment in export market development should be allocated as a percentage of agriculture's export trade earnings. We recommend that the FY83 budget allocate 0.15 percent of the average annual U.S. agricultural export value of the preceding two years. Translated into actual dollars, the proposal would increase FY83 government soybean market development funds in FAS to $12.35 million. We also propose the percent of export value allocated to market development be increased to 0.175 percent in FY84 and to 0.2 percent in FY85 and subsequent years.

2. CCC REVOLVING FUND. Foreign buyers, especially those in developing nations, need help. Strong agricultural export financing programs are essential to the future profitability of American agriculture. ASA strongly recommends Congress appropriate at least $1 billion for the CCC Export Credit Revolving Fund.

   Loans made from the revolving fund would be made at interest rates in excess of the borrowing cost to the Commodity Credit Corporation. Repayments would be reverted back to the revolving fund for future use. Thus, the revolving fund would increase as interest and principal payments are made and the fund would not result in a net cost to the federal government.

   A revolving fund would be an investment in the future. It would save millions of dollars in net outlays created through lost U.S. farm income.

CONCLUSIONS

U.S. soybean farmers recognize they are requesting aggressive federal funding at a time when major federal programs are faced with severe budget containment. Rather than requesting short-term, tax-draining federal support programs, the American Soybean Association has requested federal support of research, conservation, transportation and export promotion programs that will revitalize U.S. agriculture and that offer prospects of increased tax revenues, increased jobs and increased farm profits.

Foreign market development programs offer an excellent example of such returns. Using the economic activity formula (export value x 2.05 economic activity x 5 percent tax revenue), aggregate soybean exports in the last 10 years generated an additional $4.49 billion in net taxes. Based on the Chase Econometrics study, FAS and soybean farmer market development activities created $350 million of this total. Thus, each tax dollar Congress invested in FAS soybean market development generated $20.83 in additional tax revenue.

Failure to invest small amounts of federal dollars in these four program areas will ultimately require huge amounts of tax dollars in future farm support programs. We need your investment, not handouts. The best way to avoid the terrible effects of low prices is to invest our future.

Thank you for the opportunity to present our views on the FY83 federal budget for the U.S. Department of Agriculture.

E. M. GRAVES & CO.

STATEMENT OF EBEN M. GRAVES, JR., CHAIRMAN, E. M. GRAVES & CO., INC., SOUTHPORT, CONN.

Senator COCHRAN. We will now have Mr. Graves, chairman of E. M. Graves, Co., Southport, Conn.

Welcome.

Mr. GRAVES. Thank you.

Senator COCHRAN. We have your statement, and we will put it in the record and encourage you to make any summary comments.

[The statement follows:]

PREPARED STATEMENT OF EBEN M. GRAVES, JR.
CHAIRMAN
E. M. GRAVES & CO. INVESTMENT ADVISORY, INC.

Mr. Chairman, my name is Eben M. Graves, Jr., I am chairman of E. M. Graves & Co. Investment Advisory, Inc., a Connecticut based SEC registered investment advisor to corporate pension funds. My company is believed to be the first pension fund manager to invest in federal loan guarantee securities originated through local lending banks, guaranteed by a federal agency that collects a 1% guarantee fee and sold to pension funds we manage through a secondary market. The interest rate on these federal loan guarantees is determined by the free market supply/demand mechanism. Fixed rate paper is pegged to the Government National Mortgage rate and variable rate paper is pegged to the New York prime rate of interest.

The overall role of federal loan guarantee programs in the capital markets is to provide a government guarantee on loans originated and priced in the private sector. By providing a government guarantee, local lenders(small banks and small insurance companies) can make longer term capital available to small and rural businesses. These federal loan guarantee programs largely provide through local lenders the only sources of term capital to small and rural businesses.

I illustrate with an example: Say John Doe has a small manufacturing plant in Oklahoma that needs to build a new warehouse and buy some new trucks. He goes to his local bank which is a small bank with a loan request for a 20 year mortgage on the proposed warehouse and 10 year loan on the trucks. The local banker says, "Well John, we really don't like to make 20 year mortgage loans or 10 year equipment loans. Couldn't you get along with a 1 year loan that we might renew next year if your business is still good and your financial statements look alright?"

John Doe can't live with a short term bank loan. He has to have a long term loan matched to the life of the new capital assets he needs to purchase for his business which currently employs 20 people. If he gets the loan on the terms that he can repay he will employ 5 more people.

Doe looks rather glumly at the banker. Then the banker says, "We could make this loan under either the SBA or FmHA Business and Industry loan program. It will be an SBA loan if you don't need more than $500,000. However, your total loan request is for $1,200,000. Let me call FmHA and see if you would qualify." The call is made. It appears that Doe's business qualifies.

Doe is puzzled and asks the banker why he would lend long term debt capital under the FmHA B&I guaranteed loan program, when he wouldn't lend a dime conventionally without a federal loan guarantee.

"Well John," the banker answers, your loan will probably be guaranteed up to 90%. When the funds are disbursed to you I, the bank, can sell the guaranteed portion of your loan into the national secondary market and recoup 90% of the funds I lent you. This allows me to make a larger than ordinary loan to you. Remember, we are only a little country bank. Also, I can make a long term loan to you, one that matches your ability to repay. To get the government guarantee you have to satisfy their credit requirements which are as stringent as those imposed by our own credit committee. You will also have to pay a 1 percent one time guarantee fee. This is paid direct to the FmHA. The interest rate I charge will be competitive with other market interest rates. The rate will be determined by competitive bids received from the secondary market sources. The rate you will pay will be a half to three quarters of a point higher than the market rate on a Government National Mortgage Security. The bank will keep one-half percent of the rate you pay on the guaranteed portion of the loan as a servicing fee. We will continue to collect interest and principal payments on your loan and pass through to the pension fund purchaser the balance of interest and principal monthly".

"If there was no secondary market for these FmHA and SBA loans, we could not lend you long term capital to expand your business. The secondary market is a free system that simply and efficiently allocates capital saved in the pension sys[illegible]ack into investment in small and rural American business."

"The reason the secondary market works is that the government guarantees and charges for that guarantee on your loan. When your loan goes into the secondary market there are four beneficiaries:

"(1) You, the borrower, get term capital you normally could not get.

"(2) A small country bank like us, can make a big loan, a loan we normally could'nt make to you a valued local business.

"(3) The nations pension funds get a full, faith and credit obligation with an interest rate competitive with corporate bonds.

"(4) The American taxpayer doesn't have to pay a subsidiary for you get this loan. You, the borrower, paid the government for the privilege of getting a federal loan guarantee. You paid 1% of the proceeds of the loan. If less than 1% of all borrowers go broke around the country, the U.S. Treasury makes money."

Borrower Doe says, "You mean that the government guarantee makes the secondary market possible?"

Banker: "Absolutely. The government guarantee makes your loan a safe investment, one of the safest high yielding investments a pension fund could purchase." Best of all, states the conservative banker, "you and I, the taxpayers, don't get hit with increased cost of the federal budget in our taxes."

"How many FmHA Business and Industry Loans are outstanding?", asks borrower Doe.

The banker replies, "There are currently 3,546,397,621 FmHA B&I guaranteed loans currently outstanding. All these loans were made by small rural banks in 50 states like us. Ninety-seven percent were sold into the secondary market. This was a God send in that we could not have made the loans otherwise. Of the $3.5 billion worth of loans made, 1.16% defaulted. However, when you subtract the $31,917,578 collected in guarantee fees from the default figure ($41,014,000), you get a net loss figure of $9,096,422. This is the real cost of the FmHA B&I program. . . The cost to you and me as taxpayers. It represents .26% of the total $3.5 billion in loans made.

"That doesn't sound like much money when you look at the really wasteful direct loan and subsidiary programs the government sponsors", states John.

"It isn't any real money at all arrayed against the size of the overall federal budget. In fact, if the guaranteed fee was raised by FmHA to 1½%, the program would actually make money."

"If you look at the amount of new jobs created or saved, a very hard case can be made that the FmHA, B&I and SBA section 7A guarantee loans actually do make money. Every new person going into the work force pays taxes. Every person who has a job saved doesn't go on unemployment of welfare or need government assistance."

The Banker continues, "the $3.5 billion in FmHA B&I loans created or saved 273,134 jobs in rural America. The cost per job was $33.30. This was the lowest cost per job on any federal loan guarantee program", states the banker.

"Gee, I guess the new Republican Administration is using the FmHA B&I loans program as the example of supply side economics and how a well administered federal loan guarantee program priced and run through the private sector allocating capital to creditworthy concerns ...I guess the new administration is pushing programs like this."

"No John," replied the banker, "the Office of Management and Budget has tried to completely eliminate funding of the FmHA B&I program. If the current funding of $652,280,250 isn't restored to the $1 billion level, I'm afraid we can't make your loan. Instead of expanding your business and employing more people, you may have to cut back and lay some people off. You might try SBA, their budget is only being cut $500 million or 18% in 1982. They may have some money left." (SBA & FmHA statistics are Exhibits A & B).

The borrower is silent. The banker resumes his rather dreary soliloquy, "The worst thing that these budget cuts will accomplish is to kill the secondary markets which depend on certain levels of supply of paper to fuel the pension funds' and savings institutions' purchasing interest. The secondary market, along with the passive government guarantee, is what really has been recycling savings capital into investment capital. It's really a shame. Instead of cutting these pure secondary market programs, the Congress and administration should have gradually increased them and eliminated the direct loan and subsidiary programs and used the interdepartment savings to increase FmHA B&I to the $4 billion budget level and leave SBA-Section 7A loans at the $4 billion level. No, John, I'm afraid that when they started cutting, they really didn't look too carefully at what they were cutting." Now that we are in the recession with unemployment at 9% and rising, we really need these federal loan guarantee programs that provide the only viable source of term capital to small and rural business. Small Business represents 90% of American business in absolute numbers, and employs 85% of the American people. The Reagan administration, has it seems, completely abandoned small business - eliminating the source of term capital.

BIOGRAPHICAL BACKGROUND

Education: Mr. Graves graduated from Westminister School in 1959 and The University of Pennsylvania in 1963 with honors. He headed the student judiciary committee, the dean of men's committee on discipline and won five varsity letters in football and lacrosse. Mr. Graves earned a masters degree in Business Administration, started at the Wharton School of Finance and Commerce and finished at New York University Graduate School of Business.

Military: Mr. Graves was a Lieutenant in the U. S. Army Security Agency attached to the 101st Airborne Division from 1963-1965.

Business: Mr. Graves joined Drexel Burnham's Investment Banking Department in 1968 and rose to be vice president in fixed income sales in 1975.

Mr. Graves started and headed the Federal Financing Department of Merrill Lynch Pierce Fenner and Smith in 1975.

He founded his own Connecticut based investment management firm in 1976. He is an expert on the federal loan guarantee security, priced and sold through the secondary market.

Affiliations: President's Council on Small Business, Former Chairman of Federal Loan Guarantee Dealers Association, Connecticut Council on Small Business, Sustaining member of the Republican National Committee.

Articles and books: "The S.B.A. and FmHA Loan Programs" cc 1976. "A Totally Unique Approach to Fixed Income Management." "Beyond Immunization in Bond Management." cc 1981.

EXHIBIT A

B & I PROGRAM

CLOSED LOANS = $3,546,397,621

PENDING DISB. BUT OBLIG. IN PRIOR YEARS = $1,000,000,000

DEFAULTED CLOSED LOANS = 1.16% = $41,014,000

GUARANTEED FEES COLLECTED = $31,917,578

TOTAL BORROWERS - (CLOSED) = 3551

TOTAL DELINQUENT BORROWERS = 489

PERCENT OF DELINQUENT = 13.77%

DEFAULTED CLOSED LOANS:	$41,014,000
LESS: GUARANTEED FEES :	$31,917,578
NET - COST OF PROGRAM :	$ 9,096,422
	0.26% OF THE $3.5 BILLION DOLLARS OF LOANS

TOTAL JOBS CREATED & SAVED TO DATE: 273,134

COST PER JOB: $33.30

FISCAL 1981 - TOTAL EMPLOYEES 85 - DOWN FROM 135

$652,280,250 - LOANS ON $751,000,000 APPROPRIATION

DEFAULTS - 0 -

TOTAL JOBS CREATED & SAVED IN 1981

CREATED -	20,083
SAVED -	19,980
TOTAL -	40,063

EXHIBIT B

SBA #7A GUARANTEED LOAN PROGRAM

FY 81	22,286 loans 22,000 borrowers
FY 81	$2,805,000,000 - Dollar amount of loans
FY 81	$ 22,700,000 - Guarantee Fee
FY 81	$8,936,000,000 - Total Loans
FY 81	$ 465,000,000 - Delinquencies
FY 81	5.2% - Percentage of delinquencies of total $8,936,000,000 outstanding
1953 (SBA inception) to FY 81	104,793 - Total other SBA loans outstanding (guaranteed - not direct loans - but other than #7A)
1953-FY 81	5,250 - Total delinquencies
1953-FY 81	258,363 - Total 7A loans
1953-FY 81	$22,400,000,000 - Total 7A loans
1953-FY 81	3.9% Total loss rates
1953-FY 81	9.5% Worst case potential loss rate

Per $25,000 of loan amount, 1 job is created at a cost of $2,375 per job

112,200 jobs created (e.g., $22.4 billion, divided by 25,000)

Statistics to show that Administration is against small business - even when jobs are created at a period of high unemployment at a minimal cost.

First Quarter FY 81	7,578 loans, $988,000,000 (7A Loans)
First Quarter FY 82	2,603 loans, $346,000,000 (7A Loans)
January 31, 1982	$500,100,000 #7A loans approved but undisbursed.

BUSINESS AND INDUSTRY LOAN PROGRAM

Mr. GRAVES. I will summarize and be brief.

I am Eben Graves. I am not a farmer. I don't grow anything. I am a pension fund man, and basically what my company does is recycle pension assets by purchasing Government securities. The securities we specialize in purchasing are Farmers Home business and industry loans. The administration, while pledged to reindustrialize the United States, seems to have decided to try to eliminate the Farmers Home business and industry loan program, and I simply want to do what Arthur Schlesinger did when he came down and testified—who I had dinner with last night. He said, "Surround them with the facts." Just surround them with the facts. And that is all I want to do.

The Farmers Home business and industry section of the Department of Agriculture has absolutely nothing to do with farmers or homes. It makes loans to small and rural businesses. From essentially in 1978, the program put out 3,546,397,621 loans. These are loans made to the banks, small rural banks and to rural businesses.

Pending loans from prior years, which are still undisbursed, sitting on the administrator's desk right now, is 1 billion dollars' worth of loans.

We are in a recession. Unemployment, our economists tell us, will go from 9 to 12 percent. Unemployment in 1933, the worst depression our country had, was 12 percent.

The default rate on these loans was 116 percent. This is the lowest default rate on any Federal loan guarantee program that the Government sponsors. The total cost of putting out $3 billion in creating 273,134 jobs at a cost per job of $33.33, is also the lowest cost creation number. The total cost of this program, Mr. Chairman, was $14 million.

Now, the simple thrust of my testimony is, if this program was duplicated or used as a blueprint by the XPA, by FAA, or by XMA, or by any number of Federal agencies, the number of jobs created at very low rate could be rapidly increased.

Furthermore, the amount of capital which is recycled from the savings consumption of the country, which I represent, the pension funds—there are several trillion dollars in pension assets which are willing to be reinvested or would like to be invested in a very safe high yield Government security for free, through the banking system with a Government guarantee.

This is like a self-greasing axle. I studied hundreds of different loan guarantee programs when I was a member of President Reagan's transition team, and this one is the best. It should not be eliminated.

We are requesting funding of the program back to $1.1 billion, back to the Carter administration level.

It should be funded at about $4 billion, because it costs nothing. It has no impact on the credit budget whatsoever.

Now, 3 billion dollars' worth of assets were allocated; every single loan made through the banking system was sold; and 217,000 jobs were created at a cost of $14 million. That, when you are talking about $1 billion here, and $1 billion here, $14 million is nothing.

That is all I have to say, sir.

Senator COCHRAN. I think you should be commended for providing us with this statement. I have been listening and reading at the same time. I appreciate your taking the time to explain the practical side of this program, couching it in terms of a story and a conversation between the borrower and his banker. This is very helpful to me, and I am sure it will be to other members of the subcommittee as we analyze this program and try to determine what kind of a reaction to make to the budget request.

As I mentioned earlier, we are still in the preliminary stages of finding out exactly what our authorities will be under the budget resolution that we suppose will be put upon us one of these days by the Congress. At that time, we will have a better idea about the limits of our authority, but your testimony is very helpful. I appreciate your being here this morning, and you can be assured that your comments will be carefully considered by the subcommittee.

NATIONAL REA TELEPHONE ASSOCIATION

STATEMENT OF A. HAROLD PETERSON, EXECUTIVE DIRECTOR AND COUNSEL, NATIONAL REA TELEPHONE ASSOCIATION

ACCOMPANIED BY JOHN F. O'NEAL, ASSOCIATE COUNSEL

Senator COCHRAN. We will next hear from Harold Peterson, executive director and counsel of the National REA Telephone Association.

Welcome, Mr. Peterson.

Mr. PETERSON. Thank you.

Senator COCHRAN. We have your statement, and we will put it into the record in its entirety.

[The statement follows:]

PREPARED STATEMENT OF A. HAROLD PETERSON

EXECUTIVE DIRECTOR AND COUNSEL

NATIONAL REA TELEPHONE ASSOCIATION

Mr. Chairman, Members of the Committee:

For over twenty years our association has had the privilege of appearing before this Committee to speak to the capital needs of the REA telephone program. Prior to discussing those needs for fiscal year 1983, we feel the Committee should be aware of the unprecedented turmoil which exists within the telephone industry today. Simply stated, the telephone industry is in the throes of momentous change and uncertainty. Rapid technological changes and advances are the order of the day; they will continue throughout the eighties according to most observers. A Federal District court here in Washington, D.C. is reviewing a Stipulation of Settlement between the Department of Justice and the American Telephone and Telegraph Company involving the most complex and far reaching anti-trust case in the history of our country. The Federal Communications Commission has several matters pending before it which focus directly on the telephone industry, the outcome of which could have profound adverse effect on rural America. The Communications Act of 1934 has undergone review and hearings by committees of the Congress for over five years. S.898, passed by the Senate last October by a vote of 90 to 4 and H.R. 5158 which passed the House Communications Subcommittee last week by a vote of 15 to 0, contain massive and far reaching changes in the 1934 Communications Act. Almost immediately following the Communications Subcommittee action of last week AT&T announced that it would mount a 2 million dollar nationwide lobbying effort to defeat this bill.

The nearly 1,000 REA financed telephone companies and the people they serve in rural America have a tremendous stake in the final disposition of all of these various proceedings. A Rural Telephone Coalition was formed in 1979. Our association is a member, together with the National Telephone Cooperative Association (NTCA) and the Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO). The Rural Telephone Coalition is a major player in the ongoing debate. We are working hard to protect the people who live in Rural America from becoming second class citizens as the new communications era unfolds. Our country has the finest telephone system in the world. Our people enjoy universal telephone service at reasonable rates. The Rural Telephone Coalition wants this country to continue that policy. The communication industry is being deregulated. Competition is the word of the day. Cost based pricing must prevail, say the economists. The main focus of this competition is on the business long distance dollars generated in this industry. Over 85% of those dollars are concentrated in 144 metropolitan areas of our country. If those dollars are no longer available to help subsidize basic local rates of residential and small business customers, as they are today, rates for those basic services will have to rise. They will rise more sharply in rural than in urban America because it costs more to serve rural America. In 1980 the REA financed telephone companies derived 60% of their total operating revenues from long distance toll revenues which flowed to these companies under the present system known as separations and settlements. This system which has served our country so well for over 50 years will be changed. The Rural Telephone Coalition believes that the policy makers must assure that protective mechanisms are placed in the new system so that all Americans will continue to receive universal telephone service at reasonable rates. Having recited this litany of problems which face our industry today, let us now focus on the main reason for our appearance here today.

CAPITAL NEEDS OF REA TELEPHONE COMPANIES REMAINS HIGH

A year ago when we appeared before this Committee the unapproved REA telephone loan applications on hand at REA amounted to $1.45 billion. During fiscal year 1981, the Congress resisted the efforts of the Administration to reduce the REA telephone insured loan level 50%; the insured loan level was retained at $250 million. In addition, $160 million was loaned from the Rural Telephone Bank; guaranteed loans amounted to $136.4 million. The total loan program in fiscal '81 was in the amount of $546.2 million. Turning to fiscal year 1982, Congress further resisted the Administration's proposal to eliminate the entire REA telephone insured loan program and again authorized the full $250 million. In addition, the capitalization of the Rural Telephone Bank was strengthened in January 1982 when the government purchased the first $30 million of Class A stock which the Congress authorized to be purchased annually over the next ten years. This infusion of capital made it possible for the bank to cut its interest rate from 12.25% to 11.0% in January 1982, thus permitting more borrowers to move from the 5% interest rate level to the Rural Telephone Bank 11.0% interest rate level. Without question, this Committee's leadership was the key factor which helped maintain the insured loan levels for fiscal years 1981 and 1982 and help provide the $30 million for government purchase of Class A stock in the Rural Telephone Bank. We are deeply appreciative for this Committee's bipartisan concern and dedication to this vital program which has served rural America so well for 33 years.

In spite of the afore mentioned loan levels, there is approximately the same amount of unapproved telephone loan applications on hand today as there was one year ago, namely $1.36 billion. We respectfully urge that the REA telephone insured loan level for fiscal year 1983 be set at not less than $250 million. We have lived with this same level since 1976, in spite of inflation. Following is a state by state summary of the unapproved telephone loan applications on hand:

UNAPPROVED REA TELEPHONE LOAN APPLICATIONS ON HAND FEBRUARY 28, 1982

STATE	NUMBER OF APPLICATIONS	$ AMOUNT OF APPLICATIONS	NUMBER OF COMPLETED APPLICATIONS	$ AMOUNT OF COMPLETED APPLICATIONS
AL	13	51,362,000	8	28,753,000
AK	5	27,925,000	4	16,925,000
AZ	3	63,763,000	3	63,763,000
AR	5	23,000,000	2	11,500,000
CA	7	23,047,000	7	23,047,000
CO	4	15,415,000	3	10,665,000
CT	-	-	-	-
DE	-	-	-	-
FL	3	12,794,000	3	12,794,000
GA	11	46,144,000	6	22,444,000
HI (AMER SAMOA)	1	5,204,000	-	-
ID	6	11,136,000	6	11,136,000
IL	5	5,468,000	5	5,468,000
IN	9	14,141,000	7	10,891,000
IA	10	10,047,000	5	5,687,000
KS	7	12,552,000	6	8,152,000
KY	6	33,700,000	3	26,500,000
LA	11	51,221,000	7	42,384,000
ME	4	15,700,000	3	13,700,000
MD	-	-	-	-
MA	-	-	-	-
MI	14	54,164,000	9	42,229,000
MN	18	33,532,000	11	16,707,000
MS	5	26,268,000	4	17,768,000
MO	8	114,266,000	8	114,266,000
MT	8	33,252,000	4	21,545,000
NE	12	30,793,000	10	26,093,000
NV	3	28,839,000	3	28,839,000
NH	3	9,205,000	3	9,205,000
NJ	1	6,000,000	-	-
NM	8	35,871,000	5	13,289,000
NY	8	6,997,000	1	2,500,000
NC	10	58,206,000	7	43,706,000
ND	8	32,370,000	6	24,870,000
OH	4	6,688,000	2	3,750,000
OK	9	29,966,000	7	25,622,000
OR	10	30,032,000	7	27,282,000
PA	12	105,859,000	6	31,759,000
RI	-	-	-	-
SC	3	25,343,000	1	2,432,000
SD	9	28,944,000	2	6,100,000
TN	6	51,160,000	4	48,160,000
TX	19	100,097,000	16	92,797,000
UT	5	14,173,000	4	12,673,000
VT	4	5,487,000	3	3,987,000
VA	1	1,550,000	1	1,550,000
WA	5	8,613,000	5	8,613,000
WV	6	23,431,000	2	7,331,000
WI	26	36,694,000	17	27,007,000
WY	1	1,908,000	1	1,908,000
TOTAL	336	$1,362,327,000	227	$975,797,000

INCREASING THE CAPITAL OF THE RURAL TELEPHONE BANK IS VITAL

The Rural Telephone Bank stands as the cornerstone of supplemental financing for REA telephone borrowers as they gain financial maturity and are able to pay a higher interest rate. In the years following its inception in 1971 to January 1, 1982, the bank has provided supplemental financing in the amount of over $1.5 billion. The patterning of this bank after the successful Farm Credit System was well conceived by the Congress. It has proved to be highly successful. We are grateful to the Agriculture Committees of Congress for their leadership role which culminated last year in the successful passage of legislation authorizing the government purchase of an additional $300 million of Class A stock in the bank over the next ten years. This will strengthen the capitalization of the bank as well as permit more borrowers to be weaned from the 5% interest rate loans.

Again we thank this Committee for seeing that the first $30 million for the purchase of Class A stock in the Rural Telephone Bank was appropriated for this fiscal year. We respectfully urge the Committee to favorably report an appropriation of $30 million for fiscal year 1983.

ADMINISTRATIVE FUNDING REQUEST SUPPORTED

We support the Administration's request for administrative funding for REA and agree with Administrator Hunter that this should be an adequate level. There is one area of the Agency's operations which we believe could be strengthened and that is in the area of engineering. The Agency's telephone program has been adversely impacted during the past seven or eight years by retirement of so many of its outstanding engineering personnel. REA, like most agencies of government, has had difficulty in attracting engineers in the past few years because private industry has been offering higher entrance pay to engineering graduates than the government has been able to offer. The leadership which REA telephone engineers have provided to the rural telephone industry in introducing new technology to ensure that service could be provided at the lowest possible cost, as well as minimize the amount of loan funds needed to do the job of providing rural service, is one of the major reasons why the REA telephone program has been a success. We always hear about waste in the administration of federal programs. The engineering design standards and specification for material developed by REA engineers is one of the best investments which can be made to ensure that we will not have waste in the REA program. We hope the Administration will continue its efforts to rebuild its engineering staff. In this telecommunications explosion of the eighties REA should strive in every manner possible to continue the engineering leadership which has earned REA a respected national reputation in the industry.

POLICY ON LOAN AMORTIZATION PERIOD SHOULD BE REVIEWED

The telephone segment of the REA program is undergoing rapid technological change. The new technology in central office equipment may result in having to depreciate this equipment within 20 years. As of December 31, 1980, central office equipment and station apparatus accounted for 44.2% of all Investment in Telephone Plant in Service by REA telephone borrowers. We feel that REA should review this area carefully. It seems to us that the loan amortization period could be shortened without the telephone customers incurring excessive rate increases. A shorter amortization period will result in substantial interest saving. A move in this direction would be of constructive help to the Administration in achieving its objectives for the economic recovery of our nation.

The following table illustrates the point we are making here:

COMPARISON OF ANNUAL DEBT SERVICE PAYMENTS
ON A $1,000,000 LOAN WITH DIFFERENT AMORTIZATION PERIODS

INTEREST RATE	35 YEAR LOAN REPAID IN 32 YEARS	28 YEAR LOAN REPAID IN 25 YEARS	DIFFERENCE	25 YEAR LOAN REPAID IN 22 YEARS	DIFFERENCE
5%	$ 62,807	$ 70,297	$ 7,490 (11.9%)	$ 75,205	$ 12,398 (19.7%)
8%	86,889	92,811	5,922 (6.8%)	96,977	10,088 (11.6%)
11%	113,524	117,817	4,293 (3.8%)	121,129	7,605 (6.7%)
TOTAL AMOUNT REPAID AT 5%*	$2,009,824	$1,757,425	$242,399	$1,654,510	$355,314
TOTAL AMOUNT REPAID AT 8%*	$2,780,448	$2,320,275	$460,173	$2,780,448	$646,954
TOTAL AMOUNT REPAID AT 11%*	$3,632,768	$2,945,425	$687,343	$2,664,838	$967,930

*These amounts do not include interest paid on advances made during the three-year deferement period of principal payments.

CONCLUSION

We are extremely proud of the contribution which the REA Telephone program has made in the development of Rural America. We are proud of the fact that there has never been a default on any loan since the program's inception 33 years ago. We stand ready to help the Committee in any way we can to continue this unsurpassed record. We hope that our statement will be helpful in your deliberations. We thank you for this opportunity to appear and testify.

INTRODUCTION OF WITNESSES

Mr. PETERSON. Thank you very much.

For the record, I am A. Harold Peterson; I appear here today as executive director and counsel of the National REA Telephone Association.

Accompanying me is John F. O'Neal, of Washington, D.C., the associate counsel of our association.

Senator COCHRAN. Good morning, John.

Mr. PETERSON. At the outset, I would be remiss if I did not extend to you and the members of the committee our sincere appreciation for the dedicated efforts on your part last year to preserve the lending program for the REA telephone segment.

As you recall, a recommendation was made for fiscal year 1982 that the lending level of the program be eliminated completely; $215 million previously set as a loan level was recommended to go to zero.

You can imagine the consternation the REA telephone companies had last year when that kind of a proposal came down, and I just want to say again, I am deeply thankful and all these companies are, for what this committee did to preserve this most important aspect of the REA telephone program.

Over the years we have seen some very bad times in the REA telephone program. We have seen them again this year. As I look back on the many years I have been privileged to represent this association, I think that what is facing the telephone industry today is probably even more serious than that which we faced in 1973 when it was proposed that the entire REA program be eliminated.

The other witnesses who appear after me—Mr. Fullarton, and others—will well remember those days; they were most trying. We all marched down together to make recommendations for a stronger REA program, and the Congress responded. Mr. O'Neal played a major role in those days, and I know both Mr. Fullarton and Mr. Partridge will remember those trying days.

This year the telephone segments are faced with a very unsettling situation, despite the fact that the Department of Justice and American Telephone & Telegraph have reached a settlement. That is under review now by a District Court judge here in Washington, D.C., and our association together with Mr. Fullarton's association this day actually, are filing a brief in that stipulation of settlement, lawsuit, in which we are trying to indicate to the court the problems that rural telephone companies face.

The FCC has a lot of dockets before it involving telephone programs. S. 898 which completely revamps the Communications Act of 1934 has been passed by the Senate, and H.R. 5158 is over in the House.

CAPITAL NEEDS OF REA TELEPHONE COMPANIES

I mention these things because we are deeply disturbed when that year the administration recommends a loan level for the REA telephone program of only $75 million for the insured part.

Last year, when we appeared before this committee, the unapproved loan applications on hand totaled $1.45 billion. As we appear here today, that level of unapproved loan applications still stands at $1.36 billion as of February 28, 1982, in spite of the fact that last year a total of $546 million in loans was made for the REA telephone program.

Of that $1.36 billion applications on hand, $975 million represents completed applications. By that we mean applications in which the borrower has completed everything necessary or required by him for processing of the loan. And so this amount of loans is already ready for approval providing the money is there.

Mr. Chairman, we are asking that for fiscal year 1983 the insured loan level be set at not less than $250 million. Since 1978, $250 million has been the insured loan level for the telephone program. It has been maintained at the $250 million figure during those years in spite of the pressures that have taken place.

We have been able to live with that, and we think we can for 1983. We respectfully urge the committee to set the loan level at not less than $250 million for the insured program.

In addition, we would request that the amount of $30 million be appropriated for Government purchase of class A stock in the telephone bank. Here again, the administration has proposed that the $30 million not be funded for fiscal year 1983.

For the record, Mr. Chairman, the rural telephone bank is the hope of the future, in terms of financing that this program will require. Every effort should be made to strengthen the capitalization of that telephone bank.

Last year, Congress provided the authorization for $300 million of class A stock to be purchased over the next 10 years. The first $30 million was put into the system in January 1982, and as a result of that, the interest rate in the rural telephone bank was lowered from 12.25 to 11 percent. This will enable more borrowers to qualify for bank money from the 5 percent loan level.

We concur in the recommendations of the administration that the rural telephone bank be set at $185 million and guaranteed at $145 million for 1983.

ADMINISTRATIVE FUNDING REQUEST

I will comment briefly on the administration's funding request for administration of the program. We think the engineering part of the telephone program needs beefing up. They lost very competent people over the last few years, and we think the agency should be strengthened, if for no other reason than the 1980's will be the great decade in technology. Because of the fine record REA handled over the years in making contributions to the industry, we think it would be a sad mistake not to stay with it.

I think with that, Mr. Chairman, I will close, again thanking you for the consideration that the committee has shown in a bipartisan way over the years. We will be happy to respond to any questions you have.

Senator COCHRAN. Thank you. I think your testimony is helpful to us. As you know, this committee has members who are very strong supporters of REA programs, both electric and telephone aspects of that program. I think the subcommittee will surely give every possible consideration to maintaining appropriate levels in the budget account for funding of these important programs. I do not know what that level will be. As we said this morning, we do not know the nature of the restraints being imposed on the committee by Congress in the budget process, but I want you to know of our appreciation of your being here. I think your testimony will help us make a correct decision in this case. You have demonstrated that you have a lot of loan applications unapproved, and this demonstrates the need for the program without any doubt at all. I think that is important for us to have.

Thanks for being here.

NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

STATEMENT OF DAVID C. FULLARTON, EXECUTIVE VICE PRESIDENT, NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

ACCOMPANIED BY T. MICHAEL BARRY, DIRECTOR, GOVERNMENT AFFAIRS

PREPARED STATEMENT

Senator COCHRAN. The next witness listed is David C. Fullarton, executive vice president of the National Telephone Cooperative Association.

Welcome and good morning.

Mr. FULLARTON. Good morning, Mr. Chairman.

Senator COCHRAN. We have your statement, and we will put it in the record in full. We would encourage you to make any summary comments that you would like at this time.

Mr. FULLARTON. Thank you.

[The statement follows:]

National Telephone Cooperative Association

PREPARED STATEMENT OF DAVID C. FULLARTON

EXECUTIVE VICE PRESIDENT

Mr. Chairman and Members of the Subcommittee, my name is David C. Fullarton and I appear before you today in my capacity as Executive Vice President of the National Telephone Cooperative Association (NTCA). A nonprofit trade organization, NTCA represents over 380 small, rural telephone cooperatives and locally owned and operated commercial telephone systems financed through loan programs administered by the Rural Electrification Administration (REA). NTCA wishes to express its appreciation to the Chairman and Members of the Subcommittee not only for the opportunity to testify regarding Fiscal Year (FY) 1983 loan authorizations in the REA telephone program, but for your longstanding support for the development of rural telecommunications as well.

PROPOSED REA BUDGET FOR FISCAL YEAR 1983

	1982	OMB	NTCA
Insured	$250-325 million	$ 75 million	$250-325 million
RTB	160-220 "	185 "	160-220 "
RTB recapitalization	30 "	0	30 "
Guaranteed	145 "	145 "	145 "

Since the inception of the telephone program in 1949, REA has been an important source of financing for the extension of telecommunications to America's farms and rural communities. An Appendix to this testimony reviews the background of the REA programs.

In the proposed budget forwarded to the Congress by the White House in January, President Reagan recommended severe cuts in the REA telephone loan program for FY 1983. The insured program was cut 76 percent, from a range of $250-$325 million down to $75 million.

The Administration proposed a cut in the lending authorization of the RTB and elimination of the $30 million annual appropriation for recapitalization of the RTB. The elimination of the $30 million recapitalization threatens to raise the interest rates on RTB loans to a level at which few small telephone systems could meet the legal requirements of the program. Systems which can afford to pay higher interest rates will be competing for low interest insured loan funds with those that cannot The Administration also proposed to retain $145 million in telephone guaranteed loans.

In the justifications submitted to this subcommittee by REA for the March 18 hearing, the Administration proposed further changes in the language authorizing lending in the REA and RTB programs. The Administration proposes to eliminate the floor on lending authorization. For example, the RTB may lend no more than $185 million, but also may lend any amount less than $185 million or nothing at all.

In past years, the Administrator has lent the minimum amount allowed by the Congress. Eliminating the floor altogether would give the Administrator the authority to withhold all funds in the REA program. This would be disastrous for rural telephone systems and the millions of rural subscribers who depend on those systems for telephone service. Furthermore, I believe that this proposal abrogates the right and responsibility of the Congress to ensure that its intent is carried out in the administration of Federal programs.

CONTINUED NEED FOR REA FUNDS

Material released through the Office of Management and Budget (OMB) suggests that the lower funding levels proposed are based on the assumption that REA has largely accomplished its purpose -- to provide the basic investment capital necessary to extend telephone service to rural areas. On the contrary, Mr. Chairman and Members of the Subcommittee, the need for stable and reliable financing is greater than ever, given factors such as the high cost of providing service to rural areas, the number of rural Americans who do not currently have telephone service, the rapid growth of rural areas, inflation, the emergence of new and expensive technologies and a fast-changing regulatory climate. Without adequate REA funds, rural subscribers face increases in monthly rates that may reach 100 - 400%.

The High Cost of Providing Rural Telephone Service

The cost of providing telephone service in rural areas is significantly more than in urban areas for several reasons. First, serving fewer subscribers scattered over larger geographical areas requires greater capital investment and maintenance per customer. Over one-half of the total investment in REA rural telephone service is in the outside plant (i.e. cables, etc.) and in station connection. The value of investment per subscriber for REA borrowers averages $1,205, in contrast to average Bell system costs of about $850.

Also, due to low subscriber density, small exchange areas and small central offices, rural telephone systems do not benefit from the economies of scale enjoyed by Bell and the large telephone holding companies.

These factors were quantified in a recent paper by Warren G. Lavey (December 14, 1981), "Factors Influencing Investment, Costs and Revenues of Small, Rural Independent Telephone Companies." Dr. Lavey found an indirect correlation between subscriber density and the cost of providing telephone service.

The profitability of providing service in rural areas is also generally low. Characteristically, rural exchanges contain a low ratio of lucrative business customers to residential customers. Not only are there proportionately fewer business customers in rural areas (representing 12 - 14% of main stations as opposed to 16.3% in Bell areas), there are fewer businesses with high long-distance calling volume in rural areas. Seven eighths of all business interstate toll and WATS line revenues are generated by calling between only 144 U.S. cities. As a result, gross revenues are low. In 1976, the average REA borrower earned only $.21 in gross revenues per dollar of investment while the Bell system earned $.35.

Capital Needs of Rural Telephone Systems

1982 estimates of total telephone construction predict record capital expenditures of $24.5 billion, a real increase of only 5.9% over 1981. (Telephone Engineer and Management, January 15, 1982, pp. 55 - 60.) In rural areas much of the investment will be used to serve new customers. The 1980 Census indicates that the population in rural areas is growing faster than in urban areas by as much as 50%. The demand for rural residential and business main stations that this "reverse migration" has generated requires improvements and extensions of existing lines and new switching equipment, inside wiring and terminal equipment. At the same time, almost 10% of rural families -- as much as 25% in some areas -- do not have telephone service at all. The average cost per initial subscriber in all REA telephone exchanges reached $2,247 by the close of 1979.

A significant amount of capital is also required to upgrade service from multi-party to single party. At present, approximately 21% of subscribers in REA service areas are still receiving multi-party service. Burying trouble-prone aerial cable and wire will require low-interest financing, as well. Underground wire provides more reliable and higher quality service with less maintenance. Further capital investment is required in central office equipment, as well. Electronic switching and digital transmission provide numerous services, badly needed traffic capacity and substantial operating efficiencies, including automatic ticketing and testing.

Large infusions of capital are thus required to expand and modernize rural telecommunications facilities. REA has approximately $1.36 billion in unapproved loan applications on hand from telephone systems seeking to upgrade existing service and to expand where necessary to provide initial service to the thousands of new subscribers flooding into rural areas. In the period 1976 to 1980 alone, investment in telephone plant in service increased by 74 percent, or $2.6 billion, among REA borrowers, primarily in the insured loan and RTB programs. (REA, 1980 Annual Statistical Report: Rural Telephone Borrowers.)

Private Capital as an Alternative

OMB mistakenly contends that REA borrowers can find ample credit in the private market. However, most NTCA member systems would not be able to meet the credit requirements demanded by commercial lenders. A company's cost of capital normally varies inversely with its ratio of net worth to total assets. Some 258 borrowers currently have equity (or net worth as measured against total assets) well under 15 percent, as opposed to the 40 percent equity generally commanded by commercial lenders. The average REA borrower system has less than 25 percent equity in contrast to the 41 percent average equity of larger telephone companies.

Thus, the cost of the capital obtained through the private market by small, rural companies would be far higher than the interest rates charged large, urban telephone companies. With a 100 percent federal guarantee it may be possible for some REA borrowers to secure commercial loans. As several leading investment firms point out, however, the interest rates for such loans would typically range from 14.5 percent to 15 percent in today's market. This would be tantamount to a 300 percent increase in interest rates for an REA insured borrower, which would increase local telephone rates dramatically.

In addition, the subscribers served by these companies would be required to absorb the added costs incurred by telephone systems obligated to repay loans to commercial lenders in 15 to 20 years, rather than within the 35-year period demanded by REA, the Rural Telephone Bank and FFB.

Industry Changes Affecting Rural Telephone Subscribers

Mr. Chairman, I think it is important to mention some of the events that currently are transforming the telecommunications industry and that have a direct bearing on the present need for REA loans. The deregulation by the Federal Communications Commission of customer premise equipment (CPE) and inside wiring, accelerated depreciation schedules, the proposed AT&T settlement, and impending changes in the division of revenues in the industry according to the formula allocating joining and common costs among local and long distance facilities threaten to seriously erode the financial position of all rural telephone systems. NTCA conducted a survey of the impact of industry changes and proposed cuts in REA funds on local rates in several states. The results of this survey area attached as Appendix II.

IMPACT OF HIGHER INTEREST RATES ON TELEPHONE CONSUMERS

A review of the potential impact on subscriber rates of proposed changes in the REA and RTB programs is highly disturbing. Severe cuts in the insured program and elimination of the recapitalization of the RTB will raise subscriber rates to unacceptably high levels.

Economic studies suggest that price differences ranging from 20 percent to 30 percent impact severely on lower income households. Higher prices correlate directly to the increase in number of homes without service. This will, of course, occur within a relatively brief span of time for subscribers served by systems currently entering into major rebuilding, upgrading or expansion programs. It will occur for all REA subscribers over time as every rural telephone company eventually must replace, upgrade or expand existing facilities.

Mr. Chairman, as I remarked at the start of this statement, the rural telephone program has benefited since its inception from a high degree of bipartisan congressional support; support, I might add, which has clearly fostered one of the true success stories in the federal establishment. The rural telephone companies for whom I speak today share with many a concern for the economic well-being and prosperity of this nation.

The proposed offered by the Administration must be considered inequitable. The proposed cutbacks would reduce REA telephone loans by as much as 76 percent in Fiscal Year 1983. The proposal to eliminate the $30 million annual recapitalization of the RTB will cost rural subscribers many times that amount for decades, in added interest on RTB loans.

NTCA supports the same amount of funding in the REA/RTB telephone loan programs for 1983 as in 1982. NTCA is concerned about the state of the economy and is not asking for any increase in funding levels despite an annual inflation rate of about 10 percent.

REA POLICIES OF CONCERN TO RURAL TELEPHONY

Mr. Chairman, before closing I would like to mention our concern over certain REA policies which, as rural telephone systems, we consider damaging to the program.

The first area of concern is a de facto hiring freeze on technical personnel at REA. As noted in the attached list (Appendix III), engineering staff are seriously depleted. In the Central Office Equipment Branch, for example, one engineer oversees an area that represents nearly 30% of REA's capital investment.

Another area of concern is the fact that the Administration has proposed no standards to determine economic hardship in an REA borrower seeking lower interest loan funds. This suggests a policy decision not to make any such loans. As you are aware, the Congress chose in the FY 1982 Budget Reconciliation measure to leave to REA the authority to make lower interest loans but restricted its use. We are concerned that the Administration is using a "backdoor" approach to close this option even in cases of true economic hardship.

Also, recent REA regulations propose to eliminate deregulated equipment, such as CPE, and headquarters buildings as eligible loan items. However, REA approval will still be required on plans and specifications for these items. As noted above, it is difficult for an REA borrower to find non-REA means to finance any investments; to further obstruct the project by requiring engineering and other reviews over non-eligible items is cruel.

CATV Systems

Cable television (CATV) has long been recognized as a potential boon to rural areas where over-the-air signals are few and of poor quality. Eleven years ago, in an effort to protect the infant cable industry, the Federal Communications Commission prohibited telephone companies from providing CATV in their service areas. But few CATV systems were extended into rural areas as commercial companies focused their efforts on high-density, high-profit urban communities. In recognition of the slow growth of rural CATV, the FCC waived its prohibition on a case-by-case basis, and in 1981, eliminated the ban entirely for rural areas with no community over 2,500. Now, over 100 telephone systems are in the process of providing CATV services in rural areas.

However, availability of capital for rural CATV systems, as with rural telephone systems, is a significant problem. As you are aware, in 1979, a small CATV loan program was established under the Farmers Home Administration (FmHA) and administered by REA. Although the program technically still exists, its funding was eliminated in FY 1981 and FY 1982, and no funds have been proposed for FY 1983. Moreover, REA's limitation on general funds and its first lien policy are serious impediments to approval of any private loans for CATV development. Until these problems have been resolved, many rural Americans will be denied access to CATV and other promising technologies. NTCA urges the Committee to consider funding CATV development in rural areas.

CONCLUSION

Mr. Chairman and Members of the Subcommittee, we believe that a strong REA telephone program is essential to assure that telephone service throughout the rural areas of the nation will not be locked into old plant and obsolete technology. There is no commercial alternative to the REA/RTB loan programs. This vital source of funding for rural telecommunications development will assure that millions of Americans receive the benefits of improved and expanded telephone service and guarantee their rightful place in the mainstream of our country's leap into the Information Age.

Thank you again, Mr. Chairman, for the opportunity to present our testimony today.

APPENDIX I

HISTORY OF THE REA TELEPHONE PROGRAM

1949 AMENDMENTS TO THE RURAL ELECTRIFICATION ACT

October 28, 1949, a landmark in the history of rural development, saw the passage of legislation amending the Rural Electrification Act to authorize federal financing of rural telecommunications. The telephone amendments to the Rural Electrification Act reversed a trend of some two decades during which telephone service in remote areas dropped from 38.7 percent of all rural homes in 1930 to under 32 percent in 1945. The amendment declared it to be the policy of Congress to "assure the availability of adequate telephone service to the widest practical number of rural users." (7 U.S.C. Section 921).

Federal funding of rural telecommunications was deemed necessary in 1949 for two principle reasons, both of which remain valid today. First, the larger telephone companies serving metropolitan and suburban areas considered sparsely populated areas economically unattractive to serve. Secondly, small rural telephone companies found themselves unable to raise the capital required on the commercial market. Without this crucial federal assistance, it would have been impossible to attain the congressional policy of universal service expressed in the Communications Act of 1934. "To make available, so far as possible to all the people of the United States rapid, efficient, nationwide, and worldwide wire and radio communications service with adequate facilities at reasonable charges...." (47 U.S.C. Section 151).

The telephone loan program provided funds to qualified borrowers at 2 percent interest, with the eligibility criteria based primarily on need. Those who received federal assistance could neither qualify for nor bear the costs of commercial financing and simultaneously make telephone service available in rural areas at anything approaching reasonable rates. It is interesting to note that the service standard established by REA at the inception of the program was 8-party service, considered a significant leap forward for subscribers long used to sharing a single line with twenty-five rural neighbors.

RURAL TELEPHONE BANK

By the mid-1960s the demand for loans far exceeded the funds available in the 2 percent program and hundreds of millions of dollars in loan applications were backlogged in the agency. REA borrowers determined that an alternative source of financing at somewhat higher rates should be made available to stronger, more financially secure telephone systems in order to upgrade 8-party to 4-party and single party service where economically feasible. Such an alternative, they believed, would encourage telephone companies able to absorb higher interest costs to do so and alleviate substantial pressures on the lower interest program by restricting access to 2 percent funds to those systems serving the most high-cost, low density areas of the nation.

After six years of legislative effort, Congress finally established the Rural Telephone Bank (RTB) in 1971 through an amendment to the Rural Electrification Act which authorized the appropriation of $300 million in federal seed money, to be made available to the Bank in annual increments of $30 million. In 1981, Congress extended for ten years, until 1991, the authorization for this $30 million annual capitalization. The members of this subcommittee played a crucial role in passage of the recapitalization and subsequent appropriation of $30 million for FY 1982. This regular infusion of capital, blended with money borrowed from the U.S. Treasury, has permitted the Bank to make loans to qualified borrowers at rates substantially lower than those assessed in the commercial money market.

Operating as an agency of the United States government, the Rural Telephone Bank lends money to borrowers with a density of more than three subscribers per route mile and to those with the capacity to produce net income, or margins before interest, at least equal to 150 percent of the interest requirements on all outstanding and proposed loans. The interest charged reflects the Bank's cost of money. At present, the average rate for an RTB loan is 11 percent.

Many loans made by the Bank are made concurrently with loans from REA in the insured loan program. This occurs when a borrower is unable to satisfy the interest coverage requirements of a Bank loan. In such instances, REA collaterally approves a loan designed to satisfy a portion of the borrower's capital needs, with the Bank making up the difference at a higher rate of interest. The composite interest rate to the borrower which thus results falls somewhere between the standard REA rate and Bank 11 percent rate. This lending initiative has encouraged REA telephone borrowers to absorb the highest interest costs possible in a manner fully compatible with the need to price essential utility services at a fair and affordable level.

In 1973, the rural telephone program administered by the Rural Electrification Administration was again modified to meet the evolving needs of the rural telephone industry. The 2 percent direct loan program was eliminated and replaced by an insured loan program bearing a standard interest rate of 5 percent, with a special 2 percent rate available to those borrowers meeting the stringent eligibility requirement of three or fewer subscribers per route mile and to those telephone systems which have experienced extenuating circumstances or extreme financial hardship.

In 1981, low subscriber density was removed as a criterion for eligibility for the 2 percent rate. Only telcos experiencing extreme financial hardship now qualify for loans at less than 5 percent but not less than 2 percent.

Insured loans are made through the Rural Electrification and Telephone Revolving Fund, a source of financing in the U.S. Treasury replenished through collections on all outstanding and future REA loans and from the sale of REA borrower notes (Certificates of Beneficial Ownership) to the Treasury or private money market. All funds loaned are repaid to the government and, to date, no single borrower has defaulted on any telephone loan.

In addition to creating an insured loan program, the 1973 amendment established a guaranteed loan program authorizing REA to guarantee loans for the construction of large scale telephone facilities at market interest rates established by the lender, frequently the Federal Financing Bank (FFB). The FFB itself was created in 1973 to act as a central clearinghouse in handling the financial transactions of all federal government agencies on the private money market. Under a subsequent 1974 agreement, the FFB agreed to purchase obligations guaranteed by the REA Administrator. The interest rate charged by FFB, currently over 14.1 percent, represents the cost of money at time of purchase, plus one-eighth percentage point to cover administrative costs.

The three-tiered program administered by REA, including insured, RTB and guaranteed financing, has exceeded $6.175 billion as of January 1982. It enables over 990 telephone systems to provide modern and efficient service to more than 4.5 million rural subscribers or 14 million rural Americans throughout 46 states.

APPENDIX II

Telephone Cooperative Revenues Sources and their Relative Percentages

A TYPICAL COOPERATIVE SYSTEM IN:

Revenue Sources	North Carolina	Montana	New Mexico	South Dakota	Indiana
Toll Settlements	49.4%	73.6%	71.6%	67.1%	35.0%
Local Service (Flat Rate)	43.0%	15.7%	16.7%	23.9%	56.8%
Other Local Service Charges	6.2%	8.4%	11.2%	7.4%	1.5%
Miscellaneous Revenues	1.4%	2.3%	5.0%	1.6%	6.7%
	100 %	100 %	100 %	100 %	100 %

The Average Subscriber Bills
In Our Typical Telephone Cooperatives

DOLLARS PER MONTH IN:

	North Carolina	Montana	New Mexico	South Dakota	Indiana
Local Rates	$ 8.04	$ 7.12	$ 9.77	$ 7.73	$11.41
Extensions & Other Local Services	1.16	3.82	6.56	2.38	.31
Toll Service Billings*	12.68	25.11	28.92	14.87	11.07
Miscellaneous Revenues	.27	1.07	.28	.52	1.35
	$22.15	$37.12	$45.53	$25.50	$24.14

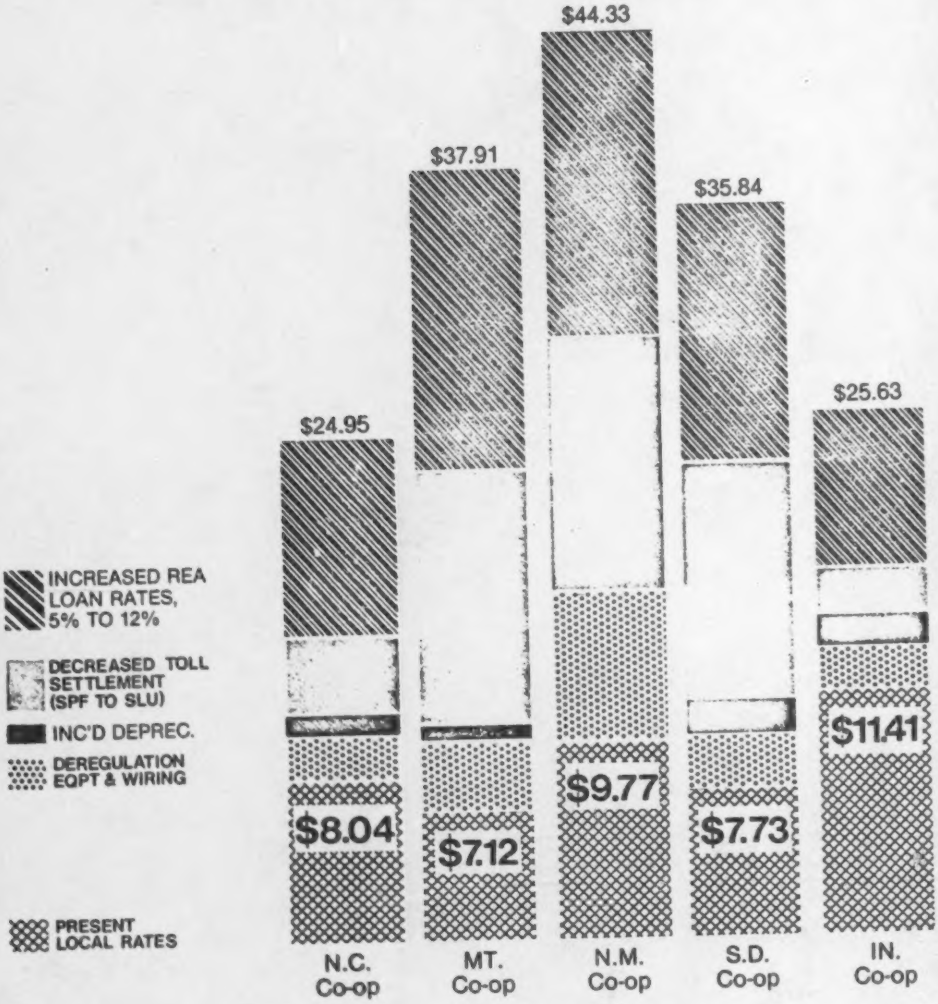
* BILLINGS, NOT SETTLEMENTS
TOLL SETTLEMENTS ARE FREQUENTLY MORE THAN TOLL BILLINGS

Local Plant Costs versus Local Plant Rates

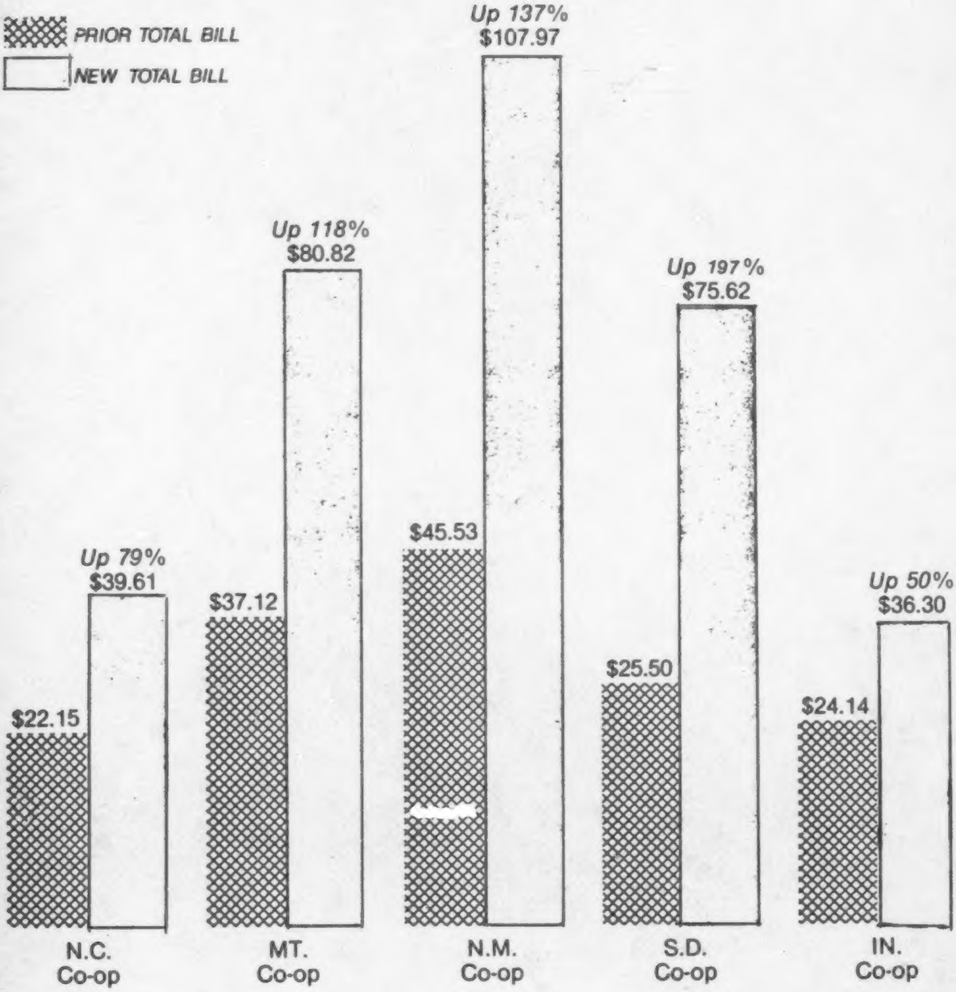
DOLLARS PER MONTH PER SUBSCRIBER:

	North Carolina	Montana	New Mexico	South Dakota	Indiana
Local Plant Costs	$18.62	$30.12	$25.24	$28.73	$19.56
Local Rates	8.04	7.12	9.77	7.73	11.41
Difference to be made up by Toll Revenues	($10.58)	($23.00)	($15.47)	($21.00)	($ 8.15)

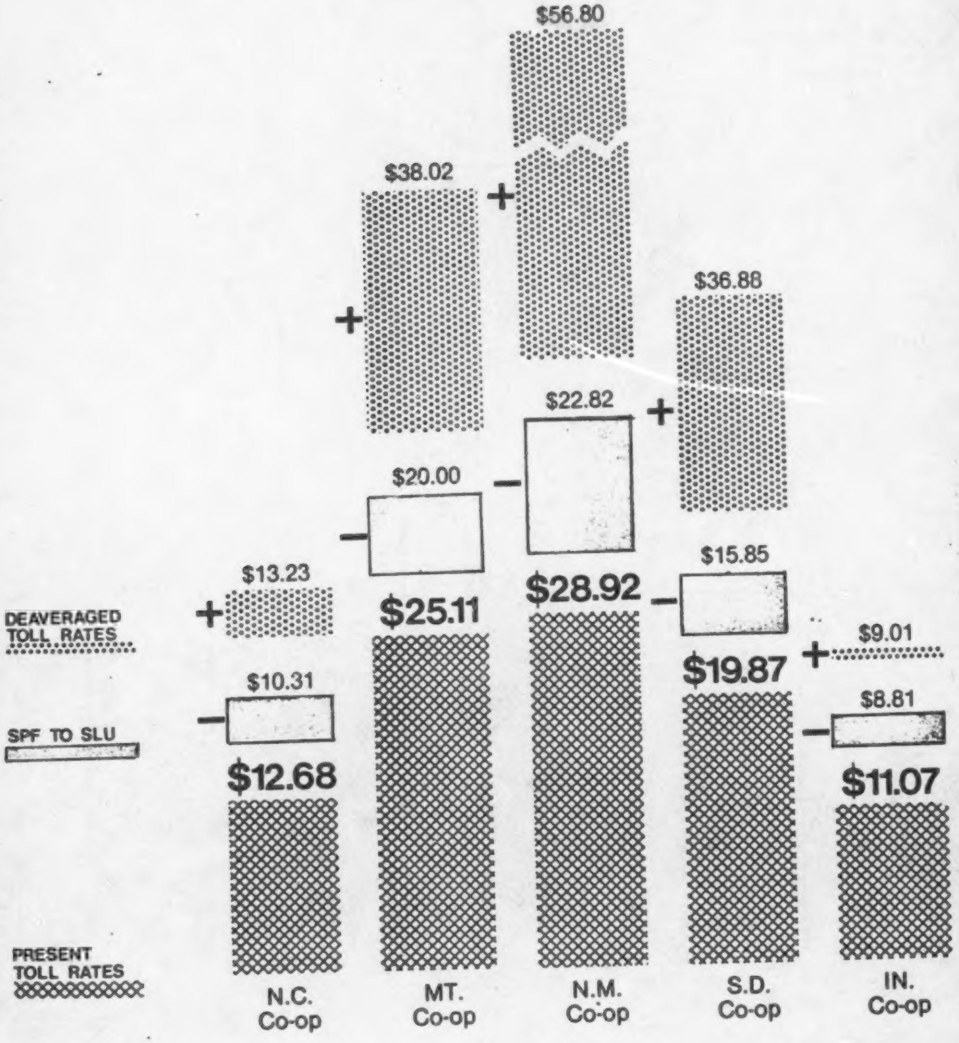
LOCAL BILL—IMPACT PER SUBSCRIBER PER MONTH



WORST CASE IMPACT—TOTAL SUBSCRIBER BILL



TOLL BILL—IMPACT PER SUBSCRIBER PER MONTH



APPENDIX III

Summary of Engineering Personnel

REA Telephone Program

Organization	1976	1982
TESD		
Office of Director	4	4
Systems Engineering Branch	2	3
Central Office Equipment Branch	5	1
Outside Plant Branch	5	5
Transmission Branch	9	4
Station Equipment and Protection Branch (Abolished 12/78)	4	--
Future Network Development Branch (Established 12/78)	--	3
	29	20
NCATE		
Office	4	4
Field	10	8
	14	12
NEATE		
Office	4	4
Field	7	7
	11	11
SEATE		
Office	4	4
Field	7	6
	11	10
SWATE		
Office	4	5
Field	8	7
	12	12
WATE		
Office	5	5
Field	9	7
	14	12
Office of Assistant Administrator - Telephone		
Engineer Trainees	4	0
Total	95	77

INSURED LOAN PROGRAM

Mr. FULLARTON. I am David C. Fullarton of the National Telephone Cooperative Association. With me today is T. Michael Barry, director of government affairs for our association.

NTCA also very much appreciates, Mr. Chairman, the long time support of this subcommittee, the full committee, and of course, the Senate for what we consider to be the very important REA telephone program.

Without reiterating the statements of the previous witnesses, I would just like to make two or three comments which, we believe, are very important with regard to the fiscal 1983 authorization levels.

First of all, the administration for fiscal year 1982 recommended zero program—no loans in effect—and they have come back again this year for a recommendation of severe cuts, primarily in the insured loan program.

The insured loans are funded in large part by repayments of principal and payment loan by current borrowers. Why they selected that particular aspect of the loan program to be reduced appears to be philosophical as opposed to economic, since some of the funding does come back; it is mostly 5-percent loans.

It is particularly unfortunate, because our members use that program. They are ineligible for the others by their ability to repay, to a far greater extent than others; so I am sure that is the most critical of all the ones under the program. We would ask restoration of the approved 1982 levels, that being a minimum of $250 million.

Even that is inadequate, but we, like most of those appearing before you, recognize the difficulties of this country—the economic situation, the unemployment, which are of great concern to all Americans as well as Congress.

CAPITALIZATION OF RURAL TELEPHONE BANK

The administration also proposed not to fund capitalization of the rural telephone bank enacted last year, and this is the second most used program which has 11 or 12 percent interest, but still it cannot qualify for insured loans. So it would seem to be asking for reductions where the interest rates are lower, as opposed to any other particular reason, and we would ask that $30 million be appropriated in fiscal year 1983.

DISCRETIONARY AUTHORITY

And finally, and this is of great concern to us, the administration is recommending that there be discretionary support on the part of the administrator with regard to the amount of loans actually made relative to the authorization. We have always had a minimum, last year $250 million, and the year before that $325 million. This year we are asking for discretion not to lend.

Our experience with REA administrators is that if they are not required to lend a minimum, we end up between zero and nothing; therefore, we would request that that particular recommendation be rejected and that minimums be established for lending in all the programs.

The only other comment I would make, Mr. Chairman, is that there are two appendices attached to our prepared statement which reflect not only the impact of interest rates on the cost to rural telephone subscribers, but also the impact of other changes pending before both Houses of Congress with regard to changes in the industry.

I think the charts are very illustrative of the overall problems we face, and it is a problem of cost versus where the revenues are coming from. It is also a problem that can eventually only be solved by increasing subscriber rates. We would recommend that a brief review of that appendix be taken by the subcommittee.

Again, we appreciate the opportunity to be here before you, and we are supporting restoration of loan levels to those adopted by the Congress for fiscal year 1982.

Senator COCHRAN. Thank you very much.

I am curious about what the difference is between the National REA Telephone Association and the National Telephone Cooperative Association. What is your relationship?

Mr. FULLARTON. Well, Mr. Chairman, for the small and rural telephone companies, there are three associations. Mr. Peterson referenced the third one, which is the organization for the protection of the advancement of small telephone companies. It was formed about 30 years ago to represent telephone co-ops. Membership today is about an equal number of cooperatives and other types of co-ops and commercial type ownership.

About 450 companies are in it, and Mr. Peterson's organization, though I cannot speak with actual numbers, has a number of members who are borrowers and who are not eligible for membership in NTCA. For instance, we do not accept holding company members, only locally owned companies.

Perhaps John and Harold could answer that. I am reaching my 20th year in this present position. Mostly, we work together; we represent slightly different interests. These days all three organizations have joined in a rural telephone coalition, and that, of course, represents a common interest in telephone communications legislation.

The third organization, PASCO, does not have sufficient direct interest in the REA telephone; it did not make an appearance here.

Generally, we cooperate and help one another; maybe one day we will put them altogether.

Senator COCHRAN. Your testimony is certainly helpful to us, and we appreciate your providing us with this information. Thank you very much.

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

STATEMENT OF ROBERT D. PARTRIDGE, EXECUTIVE PRESIDENT AND GENERAL MANAGER, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

ACCOMPANIED BY:
HOWARD LANGFORD
DON SMITH, ECONOMIST

INTRODUCTION OF WITNESSES

Senator COCHRAN. We will next hear from Robert Partridge, executive president and general manager of National Rural Electric Cooperative Association and Blaine Eaton, the chairman.

I see you brought Howard Langford along with you also.

Mr. PARTRIDGE. Yes; he chairs our committee. Blaine was not able to be here, so he asked Mr. Howard Langford to stand in for him, and I am pleased to have Mr. Langford here.

Then on my left is Don Smith, an economist.

Senator COCHRAN. Welcome.

Mr. PARTRIDGE. The testimony I have today was cleared and approved by our legislative committee, and by vice chairman Mr. Reed, and I appear here on their behalf and on behalf of the National Rural Electric Cooperative Association in 46 States to present testimony this morning.

PREPARED STATEMENT

If I may, I would like my complete statement to appear in the record, and I will attempt to summarize it much more briefly.

Senator COCHRAN. Thank you very much. Your statement will appear in full in the record.

[The statement follows:]

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

PREPARED STATEMENT OF ROBERT D. PARTRIDGE

EXECUTIVE VICE PRESIDENT

Mr. Chairman and Members of the Subcommittee:

My name is Robert D. Partridge. I am Executive Vice President of the National Rural Electric Cooperative Association, the national service organization of nearly 1,000 rural electric systems serving consumers in 46 states. Accompanying me this morning is Mr. Howard Langfitt, Executive Manager of Electric Power Associations of Mississippi.

For the information of the Subcommittee, I would point out that the testimony which I am privileged to present to you today has been reviewed and approved by NRECA's Legislative Standing Committee, which includes representatives from throughout the nation. The chairman of that committee is Mr. Blaine Eaton, Manager of Southern Pine Electric Cooperative in Taylorsville, Mississippi.

With your permission, Mr. Chairman, I would submit for the hearing record, copies of several resolutions which were drafted and approved by the NRECA membership at our 40th Annual Meeting held earlier this year in Atlanta, Georgia. These resolutions express NRECA positions on a number of important issues within the purview of this Subcommittee, which time does not allow me to cover in detail during my appearance before you today.

Before I begin my discussion of our specific recommendations, and several other points we hope will be considered by this Subcommittee in planning the fiscal 1983 REA loan program, I would like to take just a moment to express to you, Mr. Chairman, and to the other members of this esteemed panel, the tremendous appreciation of NRECA, its members and the entire rural electric program for your strong support during last year's struggle to maintain a viable and effective REA loan program.

You, and I'm happy to say, the majority of your colleagues in both Houses of Congress, stood by the REA program. You fought to preserve it at a time when OMB Director Stockman was riding very tall in the saddle — at a time when it would have been politically much easier to go along with the major cuts and crippling changes he had proposed for REA. With your help, the most important aspects of REA financing programs have survived and in some ways have even been strengthened.

And because of your courage and integrity last year, REA will be able to keep doing the job it was created by Congress to do nearly a half-century ago. That job will continue to need doing for as long as it's the policy of this nation that all Americans — rural and urban alike — should have equal opportunity to lead safe, healthful and productive lives. The availability of adequate, reliable and affordable electric energy is a vital ingredient in reaching that goal of rural-urban equity.

Unlike Mr. Stockman and others who see only costs in the REA program and often appear to be blind to its benefits, Congress continues to display a clear and deep understanding that the REA program is working well and is providing benefits to rural America and the nation as a whole which far exceed any costs which may be associated with it.

We who work in the rural electric program, deeply appreciate the support which Congress and this Subcommittee has provided, not just in the last budget, but over the years. We pledge our continued best efforts in using REA and the other tools you have given us — the tools which make it possible for rural electric systems across the nation to keep the lights on and the power flowing to the more than 25-million Americans they serve.

With that, Mr. Chairman, let me move on now to the primary business of our visit with this distinguished Subcommittee each year — the presentation of our recommendations for the REA program in the upcoming fiscal year. Following that, since the health of the rural electric program is so closely tied to the overall state of the rural economy, I will, to the extent appropriate for this forum, express NRECA's views on several aspects of this extremely important issue.

REA PROGRAM FINANCING

Also with regard to the REA insured loan program, we hope the Congress will take careful note of several very far-reaching changes in REA policies and procedures which have been proposed and/or effectuated in recent months.

Prominent among our concerns are a number of recent indications which make it clear, we believe, that significant revisions are being planned for the supplemental loan requirements applied to REA insured loans.

As the members of this Subcommittee will no doubt recall, current REA policies require that borrowers of REA insured funds obtain some portion of their capital needs from non-REA sources. The vast majority of rural electic systems presently must obtain 30% of their financing from outside sources at market rates, with 70% coming from REA. A few systems are able to borrow 80% of their total need from REA, with 20% coming from other sources. A few others — including most of the borrowers that until last year could obtain all of their capital from REA at the special 2% rate — have a 90% REA, 10% outside funds ratio applied to their loans.

Our studies have indicated that the demand for REA loan funds in the foreseeable future can be fully met under the present supplemental ratios. For this reason, NRECA has expressed to REA its strong opposition to any change in the supplemental loan ratios which would require borrowers to obtain more than the present maximum of 30% of their loan funds from non-REA sources. It is our belief that no changes in the supplemental loan requirements will be justified unless or until there are significant changes in the demand for REA insured loans and/or the amount of loan funds available to meet that demand. We will oppose any effort to make preemptive changes in anticipation of — or as a possible justification for — reductions in the availability of insured loans.

Beyond this, and even more importantly, we strongly believe that no supplemental ratio adjustments that would result in higher interest costs to REA borrowers should be considered as long as the vast majority of cooperatives are operating at a considerable rate disadvantage, as presently is the case.

Further, we believe the present Plant Revenue Ratio criteria is working well and equitably, and that no change should be made in the presently established criteria for supplemental loan requirements.

In addition to our concern about possible changes in the supplemental loan requirements, we also are very much alarmed by policy changes recently published by REA which reveal plans to categorically exclude certain types of facilities from the use of REA loan funds. Included in this prohibition would be headquarters facilities and other types of general plant and equipment. Other recently published policy changes would result in a clear distinction being made in the financing of power transmission facilities, even if such lines are built and maintained by a distribution borrower.

We believe that all of these facilities are integral parts of a borrower's utility system, and do not agree that separate and distinct categories should be established for the financing of various components of that system.

We also are very much disturbed by the fact that REA is attempting to apply these "proposals" retroactively, and has required that numerous pending loan applications be amended to remove funds for headquarters facilities or changed in other ways to make them conform with the new policies.

We hope that this Subcommittee and the Congress as a whole will closely monitor all of these situations, and form your own opinion as to whether or not these changes are reasonable or appropriate in terms of achieving the overall purpose of the Rural Electrification Act.

For the REA guaranteed loan program in fiscal 1983, NRECA recommends a floor of no less than $4.6-billion, and a ceiling of $5.7-billion. In recent years it has been particularly difficult to forecast the exact need for REA loan guarantees due to uncertainties regarding regulatory delays, changes in long term forecasts of consumers' power requirements, plant siting difficulties and other problems. We are confident, nevertheless, that our estimates of this need for F.Y. 1983 loans are derived by the best available forecasting techniques, and are backed with more experience than any other estimates available.

Here also, however, it must be pointed out that the level of loan guarantee activity during the current year will have a significant impact on next year's needs — particularly in light of the fact that the Administration has requested that Congress allow a $900-million reduction in the guarantee "floor" for fiscal 1982. Should all or part of that proposed reduction be made, the need for F.Y. 1983 would almost certainly grow by a corresponding amount.

Once again, we must point out several areas of serious concern regarding actual or perceived changes in REA's administrative policies and procedures for the loan guarantees. We are deeply troubled, for example, by an increasing number of situations in which REA has arbitrarily insisted that certain portions of a project — pollution control equipment, for example — be financed separately and without use of the REA guarantee.

It may be that there are certain instances where a mix of REA and non-REA loan funds makes practical and economic sense. We do not believe, however, that any set fraction of a major generating or transmission project should be excluded from use of the REA guarantee, nor do we see any reason why certain types of facilities or equipment should be categorically excluded from this type of REA financing. Here also, we ask the members of this Subcommittee and your colleagues in Congress to be aware of this situation, and to take whatever steps you can to ensure that REA policies and procedures are consistent with the spirit of the RE Act, and the intent of Congress.

Having presented our specific recommendations for the REA loan program in fiscal 1983, I would now like to spend just a few moments discussing concerns the NRECA membership holds regarding some serious problems facing rural America in other areas.

The continuing assault on the REA loan programs is just one of many ways in which this Adminstration has made it clear that the needs of rural America are very low on its list of priorities. The experience of the past year has led many rural electric program leaders — including a substantial number who have been strong supporters of President Reagan — to conclude that there is a serious and pervasive lack of understanding and regard for the people of rural America among the policy-makers of this Administration.

Again this year, the Administration's budget proposal calls for major reductions in the availability of REA loan funds. To justify this, they continue to insist that co-op rates are lower than those being charged by other utilities — a remarkable statement in light of the fact that the REA Administrator himself said just the opposite in an appearance he made before the House Agriculture Committee's Ad Hoc Subcommittee on the Budget just a few weeks ago.

They continue to insist that REA lending contributes to federal deficits, when this has been disproven time and time again during last year's Congressional debate on this matter.

The single new wrinkle in this year's justification for gutting the program is the incredible statement that higher rates for co-op consumers are, and I quote, "reasonable," because of the, quoting again, "relative cost of providing service in less densely populated areas."

What it seems they are saying is that the people of rural America logically should expect to pay more for the energy they need, simply because they have chosen to live in rural areas. The implication evidently is that if you can't afford to pay exorbitant rates for electric power, you ought to think about moving to the city. But for the farmers and ranchers whose roots are deep in the soil of rural America, no other alternative is suggested.

Frankly, the Administration's continuing opposition to REA and the rural electric program has many of us baffled. Administration spokesmen applaud the 1981 Economic Recovery Tax Act which handed private power companies more than $1-billion a year in new tax concessions. When this legislation is combined with previously enacted tax breaks, investor-owned power companies as a group are being forgiven virtually all of their federal income tax obligation — to the tune of some 4-billion dollars a year in subsidy to help them meet their capital needs.

Rural electric systems have capital shortage problems of their own which are even more severe. But instead of a helping hand, rural electrics are being asked to pay even more for the capital they must have to operate. Where is the justice — or even the logic, for that matter — in increasing the aid given to one segment of an industry while simultaneously penalizing another?

I honestly cannot see what penalizing the rural electric program and needlessly adding to the economic burden of rural electric co-op consumers has to do with meeting the economic goals of the Administration. I do not know of any investment need which has had a greater positive impact on our economy as a whole than the increased agricultural productivity made possible by rural electrification. These credit needs are being met without the use of a single tax dollar for REA loans.

The needless demands for sacrifice being placed on rural electrification are also being imposed on many other vital rural and farm programs. The Administration, for example, has proposed that Farmers Home Administration programs for housing and economic development be drastically cut — some of them to the vanishing point — while interest rates on rural water and sewer systems are tripled.

And all of this is going on, as you well know, while record numbers of farmers and ranchers across the nation are being driven into bankruptcy. Farm income this year is expected to plummet to about $15-billion, less than half what it was three years ago. Farm debt now stands at more than $200-billion, an increase of two and a half times in just five years. Interest payments on farm debt alone are almost equal to net farm income.

Thousands upon thousands of family farms will be no longer in existence by the end of the decade. I know that you have all seen the disheartening statistics published time and time again which show the rapid decline of family farms.

The grim statistics predict a gloomy future for our farmers and ranchers. This forecast, however, may easily become reality for many of us should the Administration have its way in its continuing onslaught against the various sectors of rural America.

Mr. Chairman, in closing, I would again like to extend our great appreciation to you and the members of your panel for your continuing support and efforts toward maintaining a viable rural electrification program. Again, I would like to commend to your attention the resolutions we have provided from those adopted by our membership at its 40th Annual Meeting this February. These resolutions highlight the issues of great importance to our membership and reflect the views of our consumer-members in these vital areas.

If there are any questions which you or the committee members may have at this time, I would be pleased to answer them to the best of my ability.

Thank you.

NRECA 1982 RESOLUTIONS ATTACHED TO TESTIMONY

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: Financing

Rural electric cooperatives can meet their responsibilities only if they are able to obtain an adequate volume of capital. Their consumer members, in turn, must have fully adequate electric service in order to produce the food and other essentials for a growing nation and its vital foreign trade. Such production combats inflation and contributes toward national self-sufficiency in the supply of energy which is essential to full employment, national security and many other aspects of the general welfare.

We commend the Congress for authorizing an adequate insured loan program of $850-1,100-million for fiscal year 1982. Data provided by the NRECA Loan Fund Survey indicated that the insured loan demand for fiscal 1982 will exceed $1,100-million. An authorization for fiscal year 1983 of REA insured funds of not less than $850-million nor more than $1,100-million reflects minimum required levels and is entirely consistent with the national objective of reducing inflation and exercising fiscal restraint and responsibility.

We urge the Administration to utilize the full amount of loan authority provided by the Congress and approve loans consistent with the ceiling level. We urge maintenance of the current ratios between REA and concurrent loans. We oppose any effort to deny G&T systems their legal eligibility for insured loans.

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: Guaranteed Loan Program

Public Law 93-32 provides REA with the authority to guarantee loans. These loans are estimated to be about $5 billion during the current fiscal year, or about 85% of the total REA loan program. The REA loan guarantees are uniquely advantageous in providing financing for essential power supply facilities for rural consumers without incurring any costs whatsoever to the government.

We urge the Administration to rescind its stated policy of severely limiting REA loan guarantees. We further urge the Congress to legislatively ensure that adequate financing will be made available for power supply facilities, such as by establishing a "floor" on REA loan guarantees.

We oppose any unjustified increases in FFB interest rates and any reduction in the guarantee to some arbitrary percent of the loan requirements.

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: Federal Financing Bank

The Federal Financing Bank (FFB) has served to coordinate and facilitate government credit activities in an efficient and advantageous manner. It should be continued without change.

FFB funding of REA loan guarantees is mutually beneficial to the government and to the borrower. The borrower saves a substantial 150 basis points in interest costs and the FFB makes about $6-million on each year's guarantee program.

We commend the Congress for mandating the availability of the FFB funding of REA loan guarantees. We oppose any effort to restrict the FFB participation.

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: Off-Budget Federal Programs

We note with some concern the ever-increasing amount of legislation that is being introduced in Congress which would place the Rural Electrification and Telephone Revolving Fund, the Rural Telephone Bank, the Federal Financing Bank and other federal programs in the federal budget.

Since our loan programs have no budgetary authority, require no budgetary outlays and therefore have no impact at all on the budget, we strongly oppose any effort by Congress or any federal agency to place those programs in the federal budget.

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: REA Financing of Transmission Lines

It was clearly established by Congress in 1973, that all distribution systems would have available for long-term capital needs, REA insured loans for transmission facilities.

Once again in language adopted in 1981, Congress has made its intent clear that REA should immediately process all distribution loan applications now pending at REA which contain transmission facilities. REA has announced that some distribution systems will no longer be eligible for REA insured loan funds for transmission facilities.

Transmission facilities are an integral part of an electric system and must be built if rural electric systems are to continue to provide adequate and reliable service. Clearly it is the consumer who will suffer if rural electric systems are forced to acquire high-cost capital to finance the construction of these needed facilities.

We therefore urge that the Rural Electrification Administration adhere to the expressed intent of the Rural Electrification Act of 1936, as amended, and supply the necessary funds to provide for the construction of needed transmission lines and substations, as well as the distribution facilities for rural America.

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: The REA Revolving Fund

Since the passage of P.L. 93-32 on May 11, 1973, all REA insured loans have been made from the special off-budget Rural Electric and Telephone Revolving Fund. The revolving fund receives no appropriations whatsoever, but relies instead solely on collections of interest and principal on outstanding loans and on the sale of certificates of beneficial ownership (CBOs) to fund all new loans.

Concern has been expressed regarding the increased differential between REA's interest rate on CBOs and its lending rate, and that this gap may eventually deplete the revolving fund. The overall condition of the fund remains excellent; the ratio between its lending and borrowing is a favorable 4.4 to 1, and its interest income is double its interest expense. However, the increased interest obligations incurred in each of the last several fiscal years represents a valid concern.

We do not believe that any changes to the revolving fund, such as reducing loan levels or increasing REA interest rates, are currently warranted. Instead, we call upon the NRECA economics staff to continue to monitor the condition of the revolving fund and make periodic reports of their findings, so that recommendations for constructive change may be developed as necessary and appropriate.

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: REA Supplemental Loan Requirements

REA recently has published a notice of its intent to revise certain aspects of the supplemental loan requirements which have been attached to its insured program since 1973. While specific changes have not yet been proposed, it appears likely that an effort will be made to increase the percentage of non-REA funds some borrowers will be required to utilize, and/or to substantially revise the criteria used to determine the supplemental ratio to be applied to each borrower.

Based on NRECA's most recent loan fund survey, however, it appears evident that the demand for loan funds in the foreseeable future can be fully met under the present supplemental ratios, but only if REA makes full use of the loan levels authorized by Congress, which presently are set at $850-million to $1.1-billion for the current fiscal year. We believe further that the existing criteria for establishing supplemental loan requirements, which is based on the borrower's Plant Revenue Ratio (PRR), has worked well and equitably over the years, and that no workable alternative has yet been developed which would be superior to the PRR approach. Special consideration should be provided to systems serving fewer than two consumers per mile of line.

For these reasons, we strongly oppose any change in the supplemental loan ratios which could require any REA borrower to obtain more than the present maximum of 30% of their loan funds from non-REA sources. We call attention to the fact that an increase in these ratios would accomplish nothing more than to increase financing costs for individual borrowers -- an increase that is especially untimely since most cooperative's rates already are substantially higher than those of neighboring non-REA-financed utilities.

We further believe that the present PRR-based criteria for supplemental loan requirements should be retained as presently established.

Finally, we urge in the strongest possible terms that REA be allowed to make full use of the loan amounts authorized by the Congress in this and in subsequent fiscal years.

FROM: Legislative Committee
APPROVED BY: Resolutions Committee

SUBJECT: Equity and Fairness in Federal Treatment

Extensive studies have documented that the level of federal assistance to the investor-owned utilities and publicly-owned utilities substantially exceeds that extended to rural electric cooperatives. The new provisions of the Economic Recovery Tax Act of 1981 increases the federal assistance to the investor-owned utilities by another $1-billion annually.

We believe that it is particularly inappropriate and inequitable for the Administration to expand federal assistance to the investor-owned utilities while it simultaneously proposes to drastically reduce the REA insured and guaranteed loan levels. This is especially unfair to the rural consumers whose contribution to the entire economy is critical.

We urge the Administration and the Congress to eliminate the disparity in federal assistance to electric utilities by preserving its support for the rural electrification program.

FROM: Community and Economic Development Committee
APPROVED BY: Resolutions Committee

SUBJECT: Rural Housing

In the mid-1960's, Farmers Home Administration became a major source of financing for rural housing and since then has assisted hundreds of thousands of rural families to acquire decent housing.

Notwithstanding the impressive accomplishments FmHA has achieved and the benefits rendered to so many rural Americans, many of whom are members of rural electric cooperatives, rural areas still contain a disproportionate share of the nation's substandard housing -- about 1.9-million units.

The severe cuts which the Office of Management and Budget have proposed -- a reduction from $3.7-billion this year to $1.1-billion next year -- would permit FmHA to provide little more than a token housing program leaving a vacuum that could not be filled by the few mortgage-lending institutions that serve rural areas. Moreover, these cuts, if implemented, would virtually halt construction of rental units for low-income families including the elderly.

We have long supported FmHA's housing program and deplore OMB's efforts to decimate it. We urge the Administration and Congress to fund this important program at least at the current year's level.

FROM: Community and Economic Development Committee
APPROVED BY: Resolutions Committee

SUBJECT: Office of Management and Budget Proposals for Rural Development

Despite increasing unemployment and underemployment in rural areas, the Office of Management and Budget has proposed massive cutbacks next year in rural development programs of the Farmers Home Administration. These programs help create thousands of private sector jobs as well as provide modern community facilities.

In regard to FmHA's business and industrial development loan program, OMB proposes to eliminate it entirely in fiscal 1983. This would shut off one of the few sources of capital for small businesses in rural areas. In addition, OMB would substantially reduce loan levels for water/sewer and drastically reduce housing loans from $3.7-billion to $1.1-billion. These levels are millions of dollars under those of 1982 and represent loan authority for which the funds come from the private market, either as insured or guaranteed loans. They do not represent government appropriations and therefore have very little impact on the federal budget.

We would remind the OMB of the recommendation adopted by the NRECA membership at its annual meeting last year; namely, "Notwithstanding the fact that agriculture continues to be a major underpinning of the rural economy, it no longer can supply most of the jobs. From the standpoint of dealing with the problem of high unemployment and preventing the resumption of rural outmigration, existing rural development authorities can be of great significance mainly in the form of loans at little or no cost to the government."

We strongly oppose these OMB proposals and urge the Administration to adequately fund these rural development programs which, we believe, can assist the Administration in fulfilling its campaign promises to create more jobs for rural people and to further the well-being of rural America.

From the Administrator

To Directors*and Managers of REA-Financed Systems

During the past several weeks, I had the privilege of participating in the Annual Meetings of both the electric and the telephone cooperatives of this Nation. Anyone who might have attended those conferences would have been impressed by the "people power" that was assembled in Atlanta and San Francisco.

And although I was graciously received, I couldn't help but note that the substantial reductions proposed for the REA funding programs during the coming fiscal year are causing concern for some co-op people.

However, I also heard many leaders of local electric and telephone cooperatives expressing support for these needed reductions. Such comments are admirable illustrations of the vision and foresight that has historically characterized the leadership of the rural electrification program. Such men are ready to support reductions in these programs in order to assure that "economic recovery" will be a reality.

REA loans and guarantees are a substantial part of the Federal borrowings that have created an intolerable burden upon the sources of available credit. In 1974, Federal borrowings totaled only $24.4 billion. In 1983, they are expected to total more than $200 billion. By accepting, for a time, a fair proportion of the reduction in Federal borrowings, REA can do its part in the gigantic effort to revitalize the economy of America.

The long-term benefits of a renewed economy would be a most acceptable reward for the short-term sacrifice of a reduced program level.

Rural electric and telephone cooperative leaders, such as were present at the Atlanta and San Francisco conferences, are well prepared to understand that often important long-term goals can be attained only at the cost of some immediate inconvenience.

The lives of agricultural people are made up of situations that entail today's sacrifice in order to make possible the goal of tomorrow. The purchase of the new family car is delayed until after the harvest of the crops that was made possible by expenditures for seed, tillage, fertilizer, etc., of a year earlier.

The worn tractor is driven one more season so that the daughter's college tuition costs can be met. That most desired vacation is postponed in order to assure that family funds will be available to pay for Mama's expected operation.

The Administration's proposals include reductions in the levels of both insured and guaranteed loan funds, and recognize the need for rural electric systems to obtain $2.5 billion from non-REA sources without a federal guarantee. A large portion of this latter type financing will be for the purchase of pollution control facilities which can be obtained at reduced interest rates.

I am confident that we will be able to take care of the essential needs of borrowers within the recommended levels. The loan programs established for fiscal year 1982 will be completed to the fullest possible extent.

I am certain that all of you are familiar with the proposed budget figures, so I will not repeat them. However, I believe that as we move into this latest phase in the evolution of the REA programs, it is important that everyone has a clear understanding of the issues involved.

Revolving Fund

During fiscal year 1981, the Rural Electrification and Telephone Revolving Fund sold $683 million worth of Certificates of Beneficial Ownership (CBO's) to the Federal Financing Bank (FFB) in order to fund about 50 percent of its cash needs, because debt collections were not sufficient to fund advances. FFB gets its money from the U.S. Treasury, which, in turn, gets its funds from public borrowings and from tax collections. Therefore, that $683 million is part of the Government borrowing which increased the United States federal debt to more than a trillion dollars.

As of September 30, 1981, REA had ld CBO's totaling $2.6 billion at a composite interest rate of 11.096 percent. During the month of February 1982, REA supplemented collection proceeds by borrowing from the U.S. Treasury at the rate of 16.25 percent. So although a revolving fund is used to finance the needs of electric distribution and telephone systems, this financing does not come without cost. The difference between the 5 percent charged for most REA loans and the 16 plus percent REA has to pay for a portion of these funds is a direct cost that must be borne by the taxpayers of this country.

Impact of Interest Rate on Consumers' Bills

The number of distribution borrowers required to obtain a portion of their financing needs from outside sources will increase. However, this should not place an excessive burden upon most systems. Even if REA were to provide only 50 percent of distribution borrowers' loan needs, instead of the present 70 percent, the composite interest rate a borrower would pay on a new loan would increase by only 1.8 percentage points and the impact of that one additional loan on the total interest expense of the borrower would be very small: the average interest rate on total long-term debt outstanding would increase by only about 0.29 percentage points on the average. During calendar year 1980 REA distribution borrowers were paying an average rate of only 4.06 percent on their total long-term debt outstanding. Thus, a change to a 50/50 loan split would have increased the average interest rate to only 4.35%.

REA borrowers have benefited from a history of low cost capital provided by REA. As of the end of 1981, REA had approved electric loans totaling more than $9.8 billion at the 2 percent rate, and $5.8 billion at the 5 percent rate. As a result, the average interest rate on long-term debt outstanding is far less for REA distribution borrowers than for investor-owned utilities. The IOU's paid an average 8.1 percent during calendar year 1980.

Reductions in the proportionate amount loaned by REA will have little impact on bills paid by the ultimate consumer, except in a few specific situations which can be examined by REA on a case-by-case basis. For the distribution systems, the average interest expense represents only 4.5 percent of the consumer's bill. Other items are far more significant. For example, power cost alone accounts for about 70 percent of the average consumer's bill. So even if the small component which makes up interest cost increases gradually, the impact will be relatively small.

REA Loans for Headquarters Facilities

This Administration is serious about belt tightening. We seek to use the limited resources of the Rural Electric and Telephone Revolving Fund in delivering electric and telephone service to rural America. In order to prevent the depletion of the Revolving Fund, some adjustments have to be made, such as those set forth in the Federal

Register notice which announces REA's intention to give priority to loans for line and substation construction necessary for actual delivery of electric and telephone service.

REA is not opposed to its borrowers having adequate headquarters facilities, but they should not be constructed with low-interest money.

Administrator to Testify before House and Senate

I will be testifying before several Congressional committees at which time I will re-affirm that a definite need exists for REA programs. I will also be making the point that it is important that the efforts of REA be targeted to priority needs of the program.

"Tax Breaks" for IOU's

The "tax relief" available to investor-owned utilities is also available to all corporations which actually pay income taxes. Cooperatives, however, with few exeptions, have qualified for exemption from income taxes for decades. Moreover, the tax breaks being offered to the investor-owned utilities generally only defer payment of income taxes and, therefore, will result in larger actual tax payments in later years when depreciation accruals are no longer possible on plant for which accelerated depreciation was taken.

The purpose of these tax breaks is to enable all corporations, including utilities, to spend money that would otherwise be paid in income taxes for the construction of necessary plant facilities and thereby provide jobs and incomes subject to income taxes.

Rural consumers, unlike most urban consumers, will continue to receive the benefit of subsidized loans and loans under federal guarantees at less than rates charged by the money market for debt and equity capital.

Administrator's Speaking Schedule

March 22	NRECA Directors Conference New Orleans, LA
March 23	Wisconsin Electric Co-op. Assn. Annual Meeting Madison, WI
March 29	Alabama Rural Elec. Assn. Annual Meeting Montgomery, AL
April 2	North Carolina Assn. of Elec. Co-ops. Annual Mtg. Raleigh, NC
April 6	G & T Managers Spring Convention Lexington, KY
April 13	South Carolina Telephone Convention Charleston, SC
April 14	Michigan Electric Co-op. Assn. Annual Meeting Lansing, MI
May 4	Pioneer Telephone Co-op. Annual Meeting Kingfisher, OK
May 12	Southern Maryland Elec Cooperative Hughesville, MD

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

LETTER FROM ROBERT D. PARTRIDGE

April 2, 1982

Mr. Harold V. Hunter, Administrator
Rural Electrification Administration
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Administrator:

NRECA has long recognized that every Administration has its own point of view concerning government programs, including rural electrification. This is a political fact of life and we expect it. Over the years, our membership has been in agreement with some policies and philosophical concepts relating to rural electrification which were taken by various Administrations, and in sharp disagreement with others — irrespective of the political party of the Administration.

I think that the record also shows that NRECA and REA have kept the debate on a high plane, with both sides taking pains to be honest and forthright with each other, and to the common constituency whom we serve, the rural electric consumer-members of the nation. I have no quarrel whatsoever with your right, and for that matter, your responsibility, to put your thoughts before the leaders of the program. I am obligated to do that also.

I write to say that I cannot in good conscience leave unchallenged a number of statements and errors in fact contained in your memo "From the Administrator" of March, 1982, to managers and board members of REA borrowers — statements which form the basis for rationalizing the philosophical concepts which you advocate. We sincerely believe that the concepts which are presented in your letter and which were set forth by the Office of Management and Budget last year would work great hardship on the rural electric systems and their consumer members, and would seriously damage the rural electrification program.

Let me address some of the statements with which we take strong issue:

Statement:	"The difference between the 5 percent charged for most REA loans and the 16 plus percent REA has to pay for a portion of these funds is a direct cost that must be borne by the taxpayers of this country."
NRECA Comment:	Not one dime from taxpayers has been used to fund new REA loans or to defray the interest expense on CBOs. Instead, all costs are borne by the resources of the revolving fund.
Statement:	"The average interest rate on long-term debt outstanding is far less for REA distribution borrowers than for IOUs. The IOUs paid an average of 8.1% during calendar year 1980."
NRECA Comment:	The statement ignores the fact that some 85% of present REA financing is loan guarantees at market rates of interest, currently about 14 plus percent.

Statement: "The average interest expense represents only 4.5 percent of the consumer's bill."

NRECA Comment: The interest component of the consumer's bill can be in excess of 40%, taking into account the substantial interest expense included in the wholesale power cost.

Statement: "During the month of February, 1982, REA supplemented collection proceeds by borrowing from the U.S. Treasury at the rate of 16.25 percent."

NRECA Comment: The actual rate was 12.25 percent (according to the Treasury and REA).

Statement: "The 'tax relief' available to investor-owned utilties is also available to all corporations which actually pay income taxes."

NRECA Comment: The dividend reinvestment program, normalization, and several other tax provisions are available only to IOUs.

Statement: "The tax breaks being offered to the investor-owned utilities generally only defer payment of income taxes."

NRECA Comment: All of the tax subsidies available are permanent "grants" to the utilities, with the possible exception of accelerated depreciation (ACRS) in which case the subsidy is an interest-free loan.

Statement: "The purpose of these tax breaks is to enable all corporations, including utilities, to spend money. . . for the construction of necessary plant facilities and thereby provide jobs and income taxes."

NRECA Comment: REA financing to rural electric systems achieves the same beneficial results. Isn't federal assistance to the rural electric program as appropriate as are the tax breaks to the IOUs?

Finally, I must underscore for you and other Administration officials, that the membership of NRECA spoke with a unanimous voice at our recent annual meeting in Atlanta, in rejecting the loan levels recommended by the Administration for FY 1983. Not one dissenting voice was raised in opposition to the resolution which emerged from the grassroots resolution process, establishing NRECA's position. It would be a mistake to interpret the courtesy and friendliness of our leaders as support for a weakened rural electrification loan program.

I hope that you will receive these candid responses and criticisms in the spirit intended. I will be glad to discuss the matter with you, if you desire, and will look forward to hearing from you.

Sincerely yours,

Robert D. Partridge
Executive Vice President

RESOLUTIONS

Mr. PARTRIDGE. Attached to my prepared statement are a number of resolutions relating to the REA program and its funding, which I hope will be of use to this committee. Those resolutions express the position of a number of issues within the committee, and I do not wish to take your time this morning to deal with them individually; although, we will be glad to respond if you have questions on them.

Mr. Chairman, I would like, before getting into the specifics of the budget proposals for the REA electric program, to thank you and the other members of this subcommittee for your very strong and valuable support last year in the struggle we had to maintain a viable and effective REA loan program.

You and the members of this committee did stand by us, and I am sure it would have been easier to go along with the very major and drastic cuts that the Office of Management and Budget had proposed for REA. With your help the most important aspect of the REA financing programs have survived, in fact in some ways have been made even stronger.

INSURED LOAN PROGRAM

Going over to the subject of this hearing, funding for the rural electric programs, and I address only the electric portion of that, for fiscal year 1983. With respect to the insured loan program for the electric cooperatives, as you know, Mr. Chairman, for many years we have surveyed our members annually to determine what their capital needs will be, and we have done that this year. Mr. Smith is responsible for that survey.

Based on it and findings from it, we respectfully urge that the fiscal 1983 REA insured electric loan grant be authorized to operate with a lower level of $850 million and the ceiling of $1.1 billion. That is no increase over the amounts authorized for the last 2 years; it does, of course, in view of the inflationary cost of construction, represent a real reduction in purchasing power for the amount of funds involved.

At the same time, we believe that range of funding will be adequate unless, of course, OMB imposed limits on this year's lending results in a larger than normal backlog of applications at the beginning of fiscal year 1983.

Fortunately, OMB has viewed lower levels of funding authorizations by the Congress as the ceiling, and that is the way the program is operating this year; although, you authorized not less than $850 million and not more than $1.1 billion for the current year, the fact is that the portion of the fund to OMB has been at the floor, $850 million.

So it would suggest that the Congress encourages REA to meet the 1982 loan grants, while lending as much of the $1.1 billion back as was authorized if that is necessary in order to meet in an orderly and expeditious way the capital needs of the co-ops.

Let me emphasize that our recommendations are based on a continuance of REA's loan policies, particularly those relating to the supplemental loan ratio. We are concerned by recent actions at REA to indicate that plans are in the works to significantly increase the amount of non-REA financing required in conjunction with the insured loan. But certainly, it would result in a substantial increase in the effective interest rate paid by the REA borrowers.

In a statement from the REA, some of the things we have seen in print, according to the administrator, indicates that serious consideration is being given to increasing the amount of outside capital required for some REA borrowers and, perhaps, to move that from a 30-percent maximum requirement as has been in effect for several years to as much as 50 percent.

There are also some other concerns relating to REA policies which have troubled us. Recent policies have been placed in effect which, the purposes which are authorized by the act, specifically such things as transmission for distribution cooperatives, headquarter buildings, and other types of facilities and equipment. Though REA publishes these proposals in the Federal Register, the fact is that they have applications on hand to implement those changes in effect retroactively on applications filed months before.

GUARANTEED LOANS

With respect to the REA guaranteed loans, the transmission facilities, it has been difficult to get the needs of the society because of the changes in load growth. Based however on our survey, we recommend the establishment of a $4.6 billion floor for the guaranteed loan program for fiscal year 1983, and a $5.7 billion ceiling. Here also, however, I need to point out that the level of loan guarantee activity during the current year will have a major impact on the need for guaranteed funding for 1983. With this current fiscal year half completed, REA has thus far approved only about $319 million in guarantees. Considering there is a backlog of pending applications of at least $2 billion, this lack of progress is extremely disturbing.

We note also the administration has requested a $900 million reduction in the guaranteed level for fiscal 1982. Should all or any part of that reduction be made, the need for fiscal year 1983 will almost certainly grow by a corresponding amount.

Mr. Chairman, finally, we are troubled by several major changes in REA administrative handling of the loan guarantee program, and in a number of situations REA has arbitrarily insisted that specific portions of a project be financed separately without the use of REA guarantee. This, in fact, converts the program to a supplemental program as has already been the case with respect to the insured loan program.

Here again we do want to make you and the committee aware of that situation and to express the hope that you will take steps to insure that REA policies and procedures are consistent first of all with the spirit of the intent and the law of the act, as well as with the intent of the council.

We appreciate the opportunity to appear and testify on this matter this morning.

Senator COCHRAN. Thank you very much, Mr. Partridge. We appreciate having your comments about the REA program, as well as your observations about the proposals for funding of the rural housing program and the rural development programs, because they do have a tremendous impact on that.

Mr. PARTRIDGE. We are interested in it.

Senator COCHRAN. It will be important to the people in the rural areas of America.

I do not need to repeat the expressions of sentiment I made earlier about this subcommittee and its attitude about the REA programs. There is bipartisan support on this subcommittee for the REA programs, and I think that we will again be responsive to the needs of rural families and provide an appropriate level of funding and authority for the REA programs.

It is always good to see all of you, Mr. Langford and Mr. Smith. I do not have any questions, but I appreciate your mentioning the attitude of the administrator at this point about treating the minimum as a maximum, and we will take a look at that and see what might be done about it.

Thank you very much.

AMERICAN FARM BUREAU FEDERATION

STATEMENT OF GRACE ELLEN RICE, ASSISTANT DIRECTOR, NATIONAL AFFAIRS DIVISION, AMERICAN FARM BUREAU FEDERATION

Senator COCHRAN. Our next witness will be Grace Ellen Rice, assistant director, national affairs division of the American Farm Bureau Federation.

Good morning.

Ms. RICE. Good morning, Mr. Chairman.

Senator COCHRAN. We have your statement which we will put in the record and would encourage you to make a summary statement.

[The statement follows:]

PREPARED STATEMENT OF GRACE ELLEN RICE

ASSISTANT DIRECTOR, NATIONAL AFFAIRS

AMERICAN FARM BUREAU FEDERATION

Mr. Chairman, and members of the Subcommittee, Farm Bureau appreciates the opportunity to present testimony on the FY 1983 budget request for the Department of Agriculture.

The American Farm Bureau Federation is the nation's largest general farm organization with a membership of over three million families in 48 states and Puerto Rico. Farm Bureau members produce virtually every type of commodity grown on a commercial basis in the country. Farm Bureau policy is developed by the producer members at the county, state, and national levels of the organization.

As in 1981, Farm Bureau's overriding concern is the state of the economy and the resulting effect upon agriculture. Like many businesses and individuals, farmers and ranchers find themselves in serious economic difficulty. Net farm income in real terms is expected to fall in 1982 to the lowest level since the depression of the 1930's.

Agriculture is in a severe adjustment period due to excess supplies of most farm commodities and weakened demand due, in large measure, to very little economic growth in the overall economy and little or no gains in consumer disposable incomes. Current levels of interest rates due, in substantial part, to the uncertainty and inaction by Congress to further reduce federal spending, are adding to the cash flow difficulties of farmers and ranchers.

In 1981 Farm Bureau expressed the general thinking of farmers and ranchers by offering total support for the President's Economic Recovery Program. In testimony to both the House and Senate Appropriations Subcommittees on Agriculture, Farm Bureau indicated support for reduced spending in the Department of Agriculture even though many of the cuts were in programs viewed as helpful to the interests of agriculture. Consistent with our goal of reduced federal spending in all areas of the government, we again express support for the reduced USDA budget total submitted for FY 1983 by the President. However, within the budget parameters, we are concerned with the serious distortion in spending priorities for production agriculture.

While we welcome the increases in agricultural research funding, the budget reductions in the Animal and Plant Health Inspection Service (APHIS) are disturbing. The $50-million reduction in APHIS encompasses severe cuts in program areas such as brucellosis, (-$31 million), boll weevil (-$668,000), pink bollworm (-$1,817,000), golden nematode (-$1,007,000), cattle ticks (-$2,153,000), imported fire ants (-$3,290,000), witchweed (-$4,723,000), and gypsy moth (-$4,518,000). While it may be possible for the states and the agricultural users to absorb the cost of a portion of these federal programs, we believe it is ill-advised for USDA to recommend these severe cuts or program elimination at this time.

Two examples highlight the need for restoration of funds in the APHIS budget. For example, the proposed elimination of federal funding for the golden nematode control program will jeopardize out-of-state markets for New York commodities such as potatoes, sod, and greenhouse and nursery crops. States that import these New York commodities fear the spread of the nematode and would be likely to embargo shipments if federal funding for the control program is withdrawn in FY 1983. Within the next five years it is probable that the development and use of nematode resistant seeds coupled with the control program can eliminate the golden nematode problem if federal participation is continued in FY 1983. Another example of an animal pest program jeopardized in the USDA budget is the cattle tick program. The elimination of funding for the eradication of a special type of cattle tick, the tropical bont tick, could mean the spread of the tick, now confined to Puerto Rico, to the continental United States. A decision to abandon the tick eradication program in Puerto Rico could ultimately mean substantial losses for livestock producers in the southern United States in addition to losses presently incurred by the Puerto Rico producers.

The funding of soil conservation programs also reflects what we consider to be an unwise allocation within the total agriculture budget. While the Agricultural Conservation Program is reduced by $134 million to a level of $56 million, it will be required to absorb the activities of the Forestry Incentives Program, the Water Bank Program, and the Emergency Conservation Program. At the same time, the inventory and monitoring function in the Soil Conservation Service is being increased over $3 million. It is doubtful that this increase is justified when compared to the substantial budget cuts sustained by traditional conservation programs. The recreation, wildlife and fish habitat, range, soil and water management program in the Forest Service budget will have a funding level in FY 1983 equal to the FY 1982 level of $179 million. To maintain this funding level for non-production programs when the traditional agricultural production and marketing programs are being cut is not in the best interest of farmers or the nation.

In addition to the APHIS and soil conservation budgets, one other major item concerns us. The Agriculture and Food Act of 1981 authorizes a CCC export credit revolving fund to stimulate foreign purchases of U.S. agricultural products. Increasing farm export credit is the quickest way to increase farm income, provide additional employment, and improve our balance of payments. We, therefore, ask that the Subcommittee provide an appropriation of one to two billion dollars to fund this revolving credit program. This expenditure is justifiable in light of the immediate benefit to the farm economy and the indirect benefit to future USDA budgets through improved farm prices and reduced deficiency payments and government storage costs.

We suggest that there are other areas than those directly affecting producers, such as rural community development and housing programs and departmental administration, that the Subcommittee may want to examine for possible budget reductions. For example, although the Administration has proposed general reductions in employment and operating costs within the USDA, the budget requests for departmental administration should be reviewed. The Administration is requesting increases in administrative areas such as Office of the Secretary (+$691,000), Office of the Inspector General (+$3,090,000), and Office of the General Counsel (+$867,000). These increases in administrative expenditures are questionable particularly when programs such as animal and plant health and soil conservation are being reduced.

Farmers' needs can be met within the constraints of reduced federal spending and a responsible USDA budget if the Department addresses itself to the concerns of farm families who are involved in the daily production of food and fiber. We will accept our share of budget restraint, but we believe that all segments of the economy should share equally in budget cuts.

We thank you for the opportunity to present testimony. For the Subcommittee's use and information, a copy of Farm Bureau's statement on the FY 1983 federal budget is attached. It reflects Farm Bureau's continuing support for the goals of the Economic Recovery Program.

PREPARED STATEMENT OF BOARD OF DIRECTORS

AMERICAN FARM BUREAU FEDERATION

Like most Americans, farmers and ranchers find themselves in serious economic difficulty. Net farm income in real terms is expected to fall in 1982 to the lowest level since the depression of the 1930's. Agricultural indebtedness is at an all time high of $200 billion, and high interest rates have forced farmers into a severe cash flow crisis and to postpone expenditures for essential production inputs. The interest charges on farm debt were approximately $19 billion in 1981, an increase of 20 percent from the previous year. Commodity prices continue a downward trend due to excess supplies and the deflation that is underway in the farm economy.

In 1981, Farm Bureau expressed the thinking of farmers and ranchers by offering total support for the President's Economic Recovery Program. We believe a fully implemented plan is essential to control inflation, reduce interest rates, and increase national productivity. We oppose any reversal of the basic thrusts of the Economic Recovery Program, which already has produced a significant reduction in the rate of inflation. We believe, however, that one of the most crucial problems at this time is the high and volitile rates of interest. Until the cost of credit is reduced, there can be no meaningful reversal in the economic decline that farmers are experiencing.

A review of the economic situation indicates that the federal deficit is the most important contributing factor to consistently high interest rates. We are not among those who underestimate the seriousness of high deficits and the effect on interest rates. The projected deficit of $92 billion or more in FY 1983 is unacceptable to Farm Bureau members. We call on the President and the Congress to work in closer harmony to significantly reduce this deficit.

Farm Bureau calls for additional spending cuts in entitlement expenditures, including Social Security and all government retirement programs. We support a moratorium on all cost of living adjustments in federal spending programs as a means of reducing deficits.

Our military posture must be strengthened, but we urge strict scrutiny of the national defense budget for those budget reductions that can be made without jeopardizing national security. We also question the advisability of the expansion of foreign aid at this time because of our own critical economic situation.

Farm Bureau opposes reversal or delay of the tax cuts enacted in 1981 including individual rate cuts, accelerated depreciation, and estate tax reform or indexing.

We support all efforts to increase farm exports as the most immediate way to increase farm income, provide additional employment, and improve our balance of payments.

Finally, our disappointment with the current budget deficit has reinforced our strong support for a constitutional amendment to control federal spending and require balanced budgets in the future. We ask that Congress take action on H. J. Res. 350 and S. J. Res. 58 during this session to send such a proposed amendment to the states for ratification.

PRODUCTION AGRICULTURE

Ms. Rice. I will summarize this morning.

In 1981 the farm bureau expressed the general thinking of farmers and ranchers by offering total support for the President's economic recovery program. In testimony to both the House and Senate Appropriations Subcommittees on Agriculture, the farm bureau indicated support for reduced spending in the Department of Agriculture, even though many of the cuts were in programs viewed as helpful to the interests of agriculture. Consistent with our goal of reduced Federal spending in all areas of the Government, we again express support for the reduced USDA budget total submitted for fiscal year 1983 by the President. However, within the budget parameters, we are concerned with the serious distortion of spending priorities for production agriculture, and we would like to address those this morning in the statement.

APHIS BUDGET

While we welcome the increases in agricultural research funding, we are disturbed by a $50 million cut in the APHIS budget for 1983. The highlights of these cuts would affect brucellosis, the boll weevil, pink bollworm, golden nematode, cattle ticks, fire ants, witchweed, and gypsy moth.

While we believe it is important for the States and users to absorb some of the costs of these programs, we believe it is ill advised, particularly right now, for the USDA to recommend severe cuts or total elimination at the present time.

As I mentioned, one example of these cuts is for golden nematode, and if Federal funding is withdrawn from the control program for golden nematode in the State of New York, it would mean that there could likely be an embargo of New York crops, such as potatoes, because other States would fear the spread.

Another example is the tropical bont tick, confined to Puerto Rico. The fear is that if Federal funding is withdrawn for the eradication program, it will spread into the southern United States, meaning increased losses of livestock for not only Puerto Rico, but also for the continental United States.

SOIL CONSERVATION PROGRAMS

In our statement, we also mention the funding of the soil conservation programs, because we believe that at this point it reflects an unwise allocation within the total USDA budget. We mention the fact that the ACP program will now be called upon to sustain the activities of the forestry incentives program, the water bank program, and the emergency conservation program.

These reallocations and the cuts being made at the time when other nonproduction programs within Soil Conservation Service are being cut are not in the best interests of farmers or the Nation.

EXPORT CREDIT REVOLVING FUND

Finally, I would like to mention one item that has also been discussed by witnesses this morning, and that is the CCC export credit revolving fund that was authorized in the Agriculture and Food Act of 1981. We believe that funding this export credit revolving fund is the quickest way to increase farm income and provide additional employment and improve balance of payments.

We ask the program be funded at a level of between $1 and $2 billion, believing that the increase for the funding is justified in light of the immediate benefit to our farmers and the indirect benefit to the USDA budget to improve and reduce payments and storage costs.

Finally, I would mention that the question always comes up, where would you get additional funding which we and other witnesses have requested.

We mentioned that there are some areas within the budget that could be cut; particularly, we draw attention to some of the departmental administration areas—the Office of Secretary, a substantial increase, as well as increases for the Office of Inspector General and Office of the General Counsel. These increases in administrative expenses are questionable, particularly when programs such as animal and plant health and soil conservation are being reduced.

That constitutes a summary of our statement, and I will be glad to answer any questions you might have.

Senator COCHRAN. I particularly appreciate having your testimony and think this will be very helpful to the committee as we look into the funding of all these programs.

I am as concerned as you are about the APHIS reductions, and I worry that if we cut back too much, we are going to end up having to appropriate more money in later years to combat problems that might have been prevented if appropriate levels of funding were made available now.

Overall, I tend to agree with the sentiments expressed in your statement. I wonder about the level of appropriations for the revolving fund. You mentioned $1 to $2 billion being needed to get that program started.

I do not know whether you were present in the hearing room earlier, but I asked other witnesses about a lower level of funding and whether it would be effective to start a program for $500 million or some lesser figure.

What is your reaction to that?

Ms. RICE. Well, our reaction is that we do support Mr. Findley's bill on the House side, and I suspect we would be pleased with $500 million.

Senator COCHRAN. Thank you very much for being here. We appreciate having the statement of the board of directors which is attached to your statement.

NATIONAL DEMOCRATIC POLICY COMMITTEE

STATEMENT OF RONALD KOKINDA, NATIONAL DEMOCRATIC POLICY COMMITTEE

Senator COCHRAN. Our last witness is Ronald Kokinda of the National Democratic Policy Committee.

Welcome to the committee. We have your statement, and we would encourage you to make any summary comments that you would like, and we will place your statement in the record.

Mr. KOKINDA. Thank you.

[The statement follows:]

PREPARED STATEMENT OF RONALD KOKINDA

NATIONAL DEMOCRATIC POLICY COMMITTEE

Thank you Mr. Chairman

There is no doubt that the continued viability and existence of the American farmer is threatened, that our agricultural sector is in emergency crisis conditions. We have estimated that the United States lost 300,000 farmers last year, that we are going to lose another 500,000 this year, and combined with what we lost in the preceeding period, we will have lost up to one million American farmers. These were not marginal farms but largely modern, technologically up-to-date operations; one-third of our agricultural capacity.

As the food chains like McDonalds, the oil companies, and various fronts for Canadian and off-shore banking interest buy up our agricultural sector, this nation comes one step closer towards being transformed from agro-industrial economy to an economy controlled by financier and speculation-based interests. Our farms and productive capacity are being bought out by off-shore "funny money," backed by assets maybe 1/20 to 1/100 of face value--a pure financial swindle for which we used to indict people.

Yet this destruction of traditional American agriculture and its takeover by international financiers is the deliberate and intentional policy of "controlled disintegration of the U.S. economy" promulgated by the Council on Foreign Relations, and endorsed by Paul Volcker in a speech in England just before assuming the chairmanship of the Federal Reserve Board.

There are many price support programs, credit programs, export promotion programs like the Export Credit Revolving Fund, research and development programs and the REA, for which every dollar of funding increase we can win will help ameliorate the farm crisis. We need to get farm prices off the floor and the NDPC stands ready to fight for parity for agriculture, parity as understood from the standpoint of ensuring the farmer a net profit reinvestible for new technological advances in farming--the only means for cheapening the cost of food production over the long-term.

However, the fundamental and immediate crisis in agriculture is the crisis of high interest rates. That deliberate policy of Paul Volcker is the basic cause of the agricultural transformation. Congress should end the currently all-consuming exercise of trying to close the budget deficit. In the first place, Volcker has stated that he will not be appeased by cuts in the deficit and has no intention of bringing interest rates down. In the second place, the onrushing depression will balloon the deficit to $150 to $200 billion this coming fiscal year.

Hence, as the attached statement by NDPC Advisory Chairman, Lyndon H. LaRouche, Jr., states, the President's budget should be passed immediately with no budget cuts and no tax increases so that we can move onto the issue of Volcker's depression. Volcker should be removed and interest rates for agro-industrial production immediately lowered.

Those emergency tasks accomplished, the country must turn to rebuilding the basic infrastructure of the U.S. economy. As a recent analysis by the LaRouche-Riemann economic model shows, the economic health of the country is tied most closely to basic investments in infrastructure--water projects, the electricity grid, transportation, etc. Such a statement would come as no surprise to the average American farmer, but appears to be an heretical concept to the likes of David Stockman and the Board of Governors of the Federal Reserve. To that end, a second attached statement by Mr. LaRouche lays out a four-point program to end the depression: 1) creation of a new gold demoninated pool of liquidity lent by the government through the private banking sector at 4 percent for tangible wealth production; 2) construction of 100 gigawatts of nuclear generated electral power by 1987; 3) investment in water project infrastructure for consumption and transportation, including bringing water from Alaska under the proposed North American Water and Power Alliance; 4) a major export promotion drive.

It is within that context that the National Democratic Policy Committee aggressively supports those programs of agriculture infrastructure which fall under the programmatic approach so identified. We urge the subcommittee to reject the budget-cutting demands of the Federal Reserve Board and to safeguard and enhance those programs necessary for the productivity and growth of the traditional American farm sector.

No Budget Cuts, No Tax Increases

by Lyndon H. LaRouche, Jr.

Chairman, Advisory Board, NDPC

The following statement was released March 8 by Lyndon H. LaRouche, Jr., Chairman of the Advisory Board of the National Democratic Policy Committee.

This is to announce the reasons why I am now encouraging Democrats throughout the United States to pressure Congress for passage of the Reagan administration's combined budget-proposals and tax-proposals as submitted, and to reject all such foolish schemes as the Baker-Hollings finagling.

The main fact to be stressed is that the United States has already entered the second Great Depression of this century. The depression has not yet become irreversible, although we are presently at the edge of a precipice of chain-reaction bankruptcies of firms, farms and thrift institutions which would create a condition of near-irreversibility.

This depression has been caused by the monetary policies which the Federal Reserve System has imposed on the U.S. economy and world trade since the beginning of October 1979. Unless interest rates are forced down below 10 percent prime rates within weeks, the collapse of the U.S. economy's tax-revenue base will drive the federal deficit toward between $150 and $200 billion for fiscal year 1981-1982 and generate federal deficits "off the charts" for fiscal year 1982-1983.

Obviously, to worry about $10 or $20 billion of combined federal budget cuts and tax-increases under these circumstances is sheer idiocy, as voters will remind candidates for Congress during November 1982.

There is no competent basis for disputing my projections. My associates and I represent the only economic forecasting service whose projections have been competent during the period beginning October 1979. By comparison, every other econometric forecast, including those of the Commerce Department, the Joint Economic Committee of the Congress, and the Office of Management and Budget, have been totally incompetent, less than worthless.

For the Record

For the first half of 1980, my associates and I projected a 6 percent decline in the U.S. economy. The actual decline was 8 percent. No other econometric projections but that of my associates and myself anticipated any significant decline for that period.

In September 1980, we projected a temporary recovery, to last into the first half of 1981, which occurred. In May 1981, we projected a 3 percent decline for the remainder of the year, against an actual 3.4 percent decline for that period. Our present forecast, compiled during February 1982, shows us to have entered a depression, with no recovery in sight even as late as the end of 1983.

These forecasts are based on study of the effects of both the Volcker monetary policy and the Reagan military-spending program on each of all the principal subsectors of the U.S. economy. There can be no recovery from the present slide into a 1932-1933-style economic depression—even with increased military spending—without reducing prime interest-rates below 10 percent levels immediately. After a chain-reaction of bankruptcies among farms, firms and thrift institutions, possibly erupting this spring and summer, even lowering the interest rates will not stimulate any automatic recovery.

The administration and Congress must forget the issue of federal budget-deficits and concentrate all energies on dramatically expanding the federal, state and local tax-revenue base. I have drafted a comprehensive four-point program which will effect the needed economic recovery. Pending the enactment of such a recovery program, the only action which can halt the presently accelerating slide into a Hoover-style depression is a drastic reduction in prime interest rates.

Therefore, although there are many blunders and injustices in the proposed federal budget, improvements in the proposed budget should be deferred to supplementary budget-action over coming months. It is worse than a waste of time to attempt to improve the submitted budget now, an absolutely worthless exercise in legislative theatrics as long as the issue of Paul Volcker and Volcker's economy-wrecking policies is not resolved.

Ladies and gentlemen of the Congress, unless you come to your senses and dump Paul Volcker, the voters of this nation are going to lynch you politically at the polls come primaries and general election this year. Those who fight to rid the nation of the curse of Volcker will earn credit. Those who defend Volcker deserve to be thrown out of office.

Four Steps To Get Out Of The New Depression

by Lyndon H. LaRouche, Jr.
Chairman, Advisory Council, NDPC

The simple fact is, about October 1981, the U.S. economy slid into the first phases of an actual depression. A lot of people share the blame for this depression: President Jimmy Carter, who started it back in October 1979; Federal Reserve Chairman Paul A. Volcker, who has directed the collapse; California banker Charles T. Manatt, who mobilized the Democratic National Committee in defense of Volcker; the mis-advisers of President Ronald Reagan, who have engineered a budget deficit in the range of $150 billion; and a very great number of other persons, who rejected foolishly what have proven to be this writer's precisely accurate predictions of the results of foolish "tight-money" policies.

The practical question is not, who is to blame? The practical question is, can we get ourselves out of it? There are four basic, emergency actions which must be taken immediately. Otherwise, without these steps, the present depression will become worse than that of the 1930s. If these four steps are taken, the United States—and the world, generally—can move rather quickly out of this depression, back toward general prosperity.

It is not necessary for you, as a citizen, to accept my proposal. You have the right to reject my analysis: you have the free will right to starve.

Step One: Monetary Action

The first step is to supply low-interest credit to essential goods-producing industries and farms.

The federal government has the power to monetize U.S. gold reserves at a price of about $500 an ounce, using that gold to defend the dollar internationally, and to bring our allies into a new gold-reserve system, to replace the bankrupt International Monetary Fund and hyperinflationary offshore, unregulated financial system.

The Congress has the power to issue gold-reserve-denominated U.S. currency notes. These notes should not be used for government spending, but for government lending. They should be lent through the private banking system to farms, industries, transportation improvements, at interest rates not in excess of 4 percent charged by the government.

Through lending of such notes as from 10 percent to 50 percent or higher of the total lending by private banks to farms, industries and other selected categories, the basic goods-producing capacity of the United States can be saved from waves of bankruptcies. A large portion of the unemployed can be automatically reemployed, and the federal, state and local tax-revenue base can be expanded.

That is the basic solution to our problems. There is no alternative solution in sight.

Step Two: Nuclear Energy

The domestic U.S. economy requires two basic stimulants, to stimulate goods-producing employment and investment. The first of these is nuclear-energy construction.

Nuclear is the safest, cleanest, and cheapest form of energy available. Since it is the cheapest, using nuclear energy instead of more costly forms of industrial process-heat and electricity means an increase in the productivity and competitiveness of the U.S. economy as a whole. It means a very large saving in the present costs of production.

We need immediately, the construction of over 100 billion watts of nuclear electricity-producing capacity completed between now and about 1986-87, plus an additional 50 billion watts completed by about 1990. This will not cost us a penny, since this energy will represent a major saving to the economy. It is a cost-reduction, productivity-increasing investment.

This will create a level of about two and a half million work-places in the private sector. This increase will come partially in the form of putting skilled production trades back to work. The largest increase in employment will come in steel and other industries which supply construction materials for nuclear investments.

This will also stimulate investment in the most modern kinds of specialty-steel and other technologies, meaning that our Midwestern states' economies can be rescued from the economic disaster they are presently suffering.

The federal government must facilitate completion of nuclear investments already in progress and planned to go. It must direct a flow of cheap credit into the construction phases of such projects, with private utilities taking financial responsibility for the completed plants.

Step Three: Water and Transportation

Next to the danger of a crippling energy-shortage, the U.S. economy's most critical problems are shortages of fresh-water supplies and a broken-down transportation system. Since rivers, canals, and ports are a key part of the transportation complex, fresh-water management and transportation must be treated as an integrated single effort.

The biggest single chunk of the needed programs of fresh-water management is the long-projected effort to bring water from Canada and Alaska into the states West of the Mississippi and into the Great Lakes System. This is necessary to save large chunks of our nation's food supplies from threatened disaster. For the Northeastern portion of the nation, the Delaware water project is urgently needed for even the simple household needs of the populations of New Jersey, eastern Pennsylvania, and lower New York State; this project will also improve the industrial potential of that region.

The United States also needs a rebuilding of a decrepit rail system, and requires a maritime fleet for both economic and national-security reasons.

The time has come to develop an integrated container system, and to design a compatible system of rail, truck, air, water transportation about such adopted standards. We can increase our economic capacities and effect great saving in costs of goods through such improvements. The savings are chiefly two. We save on materials-handling costs throughout the economy, and reduce in-transport inventory-costs and related capital costs of production.

Improved transportation also means the ability to develop competitive goods-producing investments in the greatest range of geographic sections.

So, like nuclear-energy investment, investment in water-management and transportation improvements represents cost-saving as well as other forms of improvement for the economy as a whole. It also means that we use the advantage of such cost-savings to create substantial amounts of productive employment.

Step Four: World Trade & Investment

If developing nations' debt-structures were reorganized in a sensible fashion, nations such as India, Brazil, Mexico represent magnificent investments in modern goods-producing capacity through proper infusions of capital goods from industrialized nations. Between $200 and $400 billion annually in increased world-trade can be readily generated.

President Jimmy Carter's Global 2000 proposal for worldwide genocide was not only a violation of the Nuremburg Code; it is also economic imbecility.

The great need of developing nations is for rapid infusions of modern agricultural technology—not consumer-goods industries. These nations require the local capital-goods industries and transportation systems needed to apply the American System so successful in our own experience to overcoming their own wants.

These local industries must con[illegible]te on the needs of agricultural development first, [illegible]adually expand to meet the needs of urban life as the problems of low agricultural productivity are overcome.

This is the great market for capital goods of the industrialized nations over the coming 50 years. It is time we acted to make that market a reality.

Combined Effects

The United States is probably spending more today on just two items—illegal drugs and pornography—than on national defense. It is spending far more on turning the nation into a new Sodom and Gomorrah than upon capital investments of the sort which make us productive and prosperous.

Our toleration of this immorality, this drift to becoming a new Sodom and Gomorrah, is key to our failure as a nation—both in terms of nominal leaders and the electorate—to find effective solutions to economic as well as national security and social problems.

The four steps outlined will not solve all of our important problems. They are merely four necessary steps which will point our nation's efforts in a positive and moral new direction, to give ourselves as a nation a sense of moral purpose, and to restore rationality—as opposed to the immorality of a Tom Hayden, to the nation and to the mass of wreckage presently known as the Democratic Party.

INTEREST RATES

Mr. KOKINDA. When I came in the room, you were making some comments addressing the question of interest structure. The need for cheap transportation, and one of the things that our economic staff has been looking at, in conjunction with the economic staff of the intelligence review, is to put the economics of interest structure on a sound scientific basis. They looked at it in terms of what management's intent, transportation systems, telephone systems, sewer, electrical grids are, and one of the interesting things they found was that there is almost a direct correlation; in fact, the only thing that correlates with productivity growth over the last 20 years is the question of how much has been invested in interest structure. What they are surmising is that the decisions as to whether or not to invest in an area, a businessman, is very heavily contingent on the question of the interest structure.

What we have proposed, what the chairman of our committee, Mr. LaRouche has proposed, is a sound approach for economic recovery at this point, a major investment in these areas, both in terms of energy, nuclear energy, and also water and transportation.

One of the things we have heavily recommended is the idea of water from Alaska as a means for solving problems that not only the West and Los Angeles, but all other parts of the country will face, and the basic idea behind this sort of approach is that the only way you can balance the budget—well, it will not be done by an approach of more tax increases and more budget cuts—but what we have to do is expand the tax base. Our feeling is that that sort of push the structure, and that will give the structure the type of mode to a recovery program.

I guess one of the things I would like to comment on briefly in terms of the committee weighing what it will put in the budget is Mr. LaRouche's recommendation that there be no further tax increases and no further budget cuts. Basically, we should put the program, the current budget program, through quickly and get on to our major problem which is high interest rates.

What is happening in agriculture? We estimate roughly that maybe 300,000 farmers lost last year, in that order of magnitude, probably about 200,000 a couple of years before that, and the way things look like they are going this year, we could lose up to another half million farmers. In terms of percentages, that probably would be about one-third of our agricultural capacity in our country.

At the same time, what we have is various funny money operations, off-shore banking operations which have this multiplier where they get $1 largely of drug money; it turns out to be 20 to 100 times in terms of what they generated in credit off of that, and that is what is coming in and buying off our farms at this time.

We feel what is happening to agriculture, the fact that so many farmers are going bankrupt and the agricultural sector is being bought out, is no accident. We think it is quite a conscious policy of control that Mr. Volcker endorsed when he spoke after becoming Chairman of the Fed. We think he is conscious of this.

So our approach to the budget is that there are a tremendous number of programs in the budget, and none can afford to be cut. We have to get farm prices back off the floor, and we are ready to launch the political fight for parity for agriculture. The crucial question is to get the interest rates down and make those investments with the interest rates, energy, water systems that you know can expand the tax credits. We feel that is the approach we have to have.

Thank you.

Senator COCHRAN. Thank you very much for sharing with the committee your comments and the additional information you provided. This will all be made a part of the record.

Thank you for taking the time to be with us today.

CONCLUSION OF HEARINGS

This concludes the subcommittee's fiscal year 1983 budget hearings. We have heard from a wide range of Agriculture Department agencies, rural development programs, and congressional and public witnesses. I know the information we have obtained will be of great assistance in helping us to make the tough decisions that lie ahead.

We appreciate the cooperation from the Department, its agencies and offices, and we thank everyone who has provided testimony to the committee during this hearing process.

The subcommittee meeting is recessed.

[Whereupon, at 11:40 a.m., Tuesday, April 20, the hearings were concluded, and the subcommittee was recessed, to reconvene at the call of the Chair.]

MATERIAL SUBMITTED SUBSEQUENT TO HEARING

[Clerk's note.—The following correspondence and statements were not presented at the hearing, but were submitted to the committee for inclusion in the record subsequent to the hearing:]

LETTER FROM HON. WILLIAM PROXMIRE

U.S. SENATOR FROM WISCONSIN

April 20, 1982

The Honorable Thad Cochran
Chairman, Subcommittee on Agriculture,
Rural Development, and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I have two recommendations regarding fiscal year 1983 appropriations that fall within the jurisdiction of the Subcommittee on Agriculture, Rural Development, and Related Agencies.

First, I recommend that the subcommittee approve a total of $3 million in FY-83 funding for the U.S. Dairy Forage Research Center in Madison, Wisconsin, and the associated cluster locations in other states. As you know, of course, I appeared before the subcommittee on March 9, 1982, to make this recommendation. I shall not, therefore, repeat in this letter what I said at that time. But let me simply emphasize that I am recommending that the increase to the $3 million level for the Dairy Forage Research Center in FY-83 be funded entirely out of FY-83 increases already requested by the President for the Agricultural Research Service. I am asking, in other words, not for an "add on" to the President's budget, but, instead, a reordering of the priorities already contained in that budget.

Second, I recommend that the Special Milk Program be funded at a level at least equal to that of fiscal year 1982. As you know, the President's FY-83 budget recommends the termination of the Special Milk Program. I strongly oppose ending this important program because to do so would add further to our dairy surplus and the cost of its acquisition and storage and would also result in a tragic and unwarranted denial of needed nutrition for our nation's children. I should point out that fewer schools are now participating in the National School Lunch Program. The need for the Special Milk Program is, therefore, increasing.

I appreciate your consideration of my recommendations.

Warm regards.

Sincerely,

William Proxmire, U.S.S.

PREPARED STATEMENT OF HON. DANIEL K. INOUYE

U.S. SENATOR FROM HAWAII

April 19, 1982

The Honorable Thad Cochran
Chairman
Senate Subcommittee on Agriculture, Rural
Development, and Related Agencies of
the Appropriations Committee
Washington, D. C.

Dear Mr. Chairman:

Following your kind letter of March 22nd, I would like to submit testimony regarding the President's Fiscal Year 1983 budget request for the United States Department of Agriculture. Although I will not be able to appear in person, I respectfully ask that the enclosed statement be made part of the official hearing record.

Thank you for your assistance in this matter.

Aloha!

DANIEL K. INOUYE
United States Senator

DKI:bhm
Enclosure

Thank you Mr. Chairman for allowing me to present testimony to the distinguished Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies.

Every Senator, whether on the Appropriations Committee or not, recognizes the need to exercise restraint in these times of high interest rates, devastating unemployment, and ballooning deficits. However, we must also be mindful of our priorities as we allocate federal funds to the various programs that require governmental assistance. I do not agree with many of the funding levels being proposed for the USDA's budget in fiscal year 1983. There are several programs that have been a boon to this country's farmers as well as its consumers. Yet they are facing damaging and unwarranted budget cuts in order to fund dubious efforts in other areas of the national budget. While this is not the forum to identify these misplaced priorities, I believe that the Appropriations

Committee and this Subcommittee must support the programs that help Americans to farm their land, protect the environment, and supply consumers at home and abroad with an abundance of foodstuffs.

I would like to single out three areas of the USDA's proposed budget for FY 1983 that require reworking:

1. The Agricultural Stabilization and Conservation Service(ASCS)

The ASCS provides valuable assistance to the Nation's farmers in such areas as indemnity payments, conservation, clean water, commodity programs, and emergency preparedness. I, therefore, cannot agree with the Administration's proposal to reduce this Service's funding from an estimated $282,276,000 in FY 1982 to $118,046,000 in FY 1983--a cut of $164,230,000. Of particular concern to me is the Emergency Conservation Program (ECP), which provides cost sharing assistance to farmers in times of crisis, and the Dairy Indemnity Program, which helps dairy farmers stay in business should their products become contaminated by chemicals registered for use with the Federal Government. As the attached letters from the Mayor and the County Council of Hawaii indicate, the conservation services and emergency programs available under the ASCS are of critical importance to small farmers in the State of Hawaii. Similarly, dairy farmers on the Island of Oahu were devastated this year when heptachlor, a pesticide used in pineapple culture, contaminated their milk. Losses are running at approximately $75,000 a day, and many of Oahu's farmers are turning to the ASCS's Dairy Indemnity Program for relief. I am already drafting an amendment to the Supplemental Appropriations bill which will increase the milk indemnity appropriation from $176,000 to $15,000,000 in FY 1982. I certainly could not support a move to zero-fund it in fiscal year 1983.

2. Soil Conservation Service: Small Watersheds Authorized Under P.L.566.

It is bad enough that the vital conservation programs being carried out by the SCS are being cut from approximately $574,544,000 in FY 1982 to an estimated $515,816,000 in FY 1983. What is especially damaging to local conservation efforts is the OMB's refusal to fund many of the small watersheds which have been approved by Congress. A case in point is the Honolua Watershed Project on Maui, Hawaii, which was approved in 1976 and has been ready for construction since last summer. In the Fall of 1981, when the Senate was working on H.R.4119, the bill authorizing agriculture appropriations for FY 1982, we specified that not less than $2,800,000 would be made available for not less than 10 new construction starts. The House and Senate Conferees took this provision out of the bill but added language to the Conference Report specifying that the USDA should initiate not less than 25 new construction starts in FY 1982. However, the OMB has ignored the intent of Congress in this matter, and I would suggest that this Subcommittee write a specified number of starts,e.g.25,into the appropriations bills and fund them at the appropriate level in FY 1983. In this way, vital watershed projects around the country could finally be implemented after months--if not years--of delay.

3. Food and Nutrition Service.

My third area of concern is the budget request for food stamps and nutrition services for our Nation's young and dispossessed. The cut in this Service from $12,552,561,000 to $11,161,578,000--a reduction of $1,390,983,000--could not come at a worse time for those already hard hit by the recession. It is inconceivable to me that we would agree to delete the Special Milk Program, Nutrition Education and Training, and Women with Infant Children Special Supplemental Food Programs now or any other time in the future. Cutbacks in these services are very short-sighted and will only hurt us in the long run. For example, with rising unemployment and the present state of the economy, some parents are not able to meet the nutritional requirements of their children. Cuts in feeding programs will hurt these needy children and compound the problems of hunger and poverty in America. Over time, they will drive up the costs of health care and services for the elderly. Sound diets and nutrition education contribute to both healthy people and a healthy society. Ignoring the needs of infants and the elderly is a cynical way of reducing our short-term budget deficits. Congress must move swiftly to reaffirm its commitment to providing those starting off in life with the best nutrition services possible.

I trust that this Subcommittee will act to correct the excessive and ill-advised reductions in the USDA's budget. The farmers, the hungry poor, the infants, and the elderly cannot be called upon to make the sacrifices required to reduce our Nation's budget deficits.

LETTER FROM HERBERT T. MATAYOSHI

MAYOR, COUNTY OF HAWAII

March 23, 1982

The Honorable Daniel K. Inouye
U.S. Senate
105 Russell Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Inouye:

SUBJECT: Emergency Conservation Program--1983 Budget Proposal

The County of Hawaii has suffered several droughts and floods during the past four years which required the combined services of county, state, and federal government programs to minimize the losses to farmers and ranchers.

The major program that provided direct assistance to farmers and ranchers and enabled them to begin the slow recovery process is credited to the Agricultural Stabilization and Conservation Services' (ASCS) Emergency Conservation Program (ECP). The economic consequence to this county without this assistance would have been tragic, not only to the agricultural and ranching industry, but to the economy of this county. We believe that this program is one of the most effective programs available to our agricultural and ranching industry.

The present 1982 national allocation of 8.8 million dollars is inadequate to meet the needs of this program because of this year's severe climatic effects on the agricultural industry. The 1983 budget proposal of zero dollars allocation would abandon the one program most depended on by this industry in times of greatest need.

I respectfully request your assistance in restoring the budget for this vital program in the 1983 proposal, at least, to the minimal of the 1982 budget allocation.

With warm aloha.

Sincerely,

HERBERT T. MATAYOSHI
MAYOR
COUNTY OF HAWAII

COUNTY OF HAWAII — STATE OF HAWAII

RESOLUTION

WHEREAS, the Hawaii County Agricultural Stabilization and Conservation (ASC) Committee has, for many years, effectively administered conservation and pollution abatement programs on the Big Island; and

WHEREAS, due to our high annual rainfall and steep terrain, the Big Island is susceptible to severe erosion conditions which are among the worst in the nation; and

WHEREAS, with the assistance of such ASC programs as the Agricultural Conservation Program (ACP) and the Emergency Conservation Program (ECP), Hawaii's farmers and ranchers have managed to minimize erosion damages with effective conservation practices; and

WHEREAS, the Reagan Administration budget for FY 1983 proposes substantial reductions in ASCS cost-sharing programs and a cut in funding of 76% from the current $219.1 million in 1982 to only $52 million in 1983; and

WHEREAS, Congressional approval of the President's proposed cuts would likewise reduce Hawaii County's ASCS allotment by more than 60% in addition to the elimination of such vital programs as the Emergency Conservation Program which has helped restore many local farms and ranches damaged by devastating floods in the past.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE COUNTY OF HAWAII that it registers its strong opposition to proposed cuts in ASCS funding and programs as reflected in the President's budget for FY 1983.

BE IT FURTHER RESOLVED that the Council respectfully requests the assistance of the Hawaii Congressional Delegation to impress upon the members of the House Appropriations Committee that continued funding of ASCS programs at present levels is vital to the preservation of the nation's prime agricultural lands and water quality standards from the effects of soil erosion.

BE IT FURTHER RESOLVED that true copies of this Resolution be transmitted to members of the Hawaii Congressional Delegation; U. S. Senator Thomas F. Eagleton, U. S. Representative Jamie L. Whitten and U. S. Representative Ed Jones.

Dated at Hilo, Hawaii, this 7th day of April, 1982.

INTRODUCED BY:

Tomio Fujii

COUNCIL MEMBER, COUNTY OF HAWAII

PREPARED STATEMENT OF HON. ALPHONSE D'AMATO

U.S. SENATOR FROM NEW YORK

Mr. Chairman, I am pleased to have this opportunity to present my views on the President's Fiscal Year 1983 budget request for the U.S. Department of Agriculture (USDA). In general, I believe that the President's budget for USDA is in line with the Administration's commitment to reduce federal expenditures and to eliminate unnecessary and duplicative programs. However, I would like to bring to the attention of this subcommittee the need for certain revisions, minor in their impact on the federal budget, but certainly significant for those affected by them.

As you know, the budget request reduces funding for the Animal and Plant Health Inspection Service (APHIS) by more than 17 percent compared with Fiscal Year 1982. As part of this reduction in funding for APHIS, the Golden Nematode Control program has been eliminated. This program, enacted in 1948, has been aimed at controlling and eradicating the Golden Nematode, which is a worm-like pest destructive to potatoes and other root crops. The Golden Nematode is unquestionably the most serious pest threatening the American potato industry.

In authorizing this program, Congress properly recognized the danger of the Golden Nematode to potato production in the United States and made it the policy of the Federal government to work independently, or in cooperation with State and local governmental agencies, and other public and private organizations, associations, and individuals, to eradicate, suppress, control, and prevent the spread of this pest.

The program has been successful in isolating the Golden Nematode to one State. Five New York State counties now have the dubious distinction of providing a home to this destructive pest. However, with continued federal funding, research will be able to continue developing nematode-resistant potatoes.

Eliminating the Golden Nematode Control program will also require the removal of a federal quarantine currently placed on areas infested with the Golden Nematode. This quarantine has guaranteed other States and counties that produce purchased from New York State is free from this pest. Without this quarantine, these States and countries will act on their own and likely impose an embargo on produce coming from New York, whether grown in an infested area or not. Experience from last year's California Mediterranean Fruit Fly crisis proves that States will not hesitate to enact an embargo against the produce of another State. The produce affected by such action, including potatoes, carrots, onions, beets, sod, and nursery items, has a farm value of over $400 million. Continued trade of this produce is vitally important to farm income and the health of the economy in New York State.

While the immediate impact of this program is felt in New York, should embargoes against New York produce be enacted by other States, food prices will increase throughout the country.

Continued funding of the Golden Nematode Control program will cost the federal government $1.007 million in Fiscal Year 1983. I urge that the Subcommittee include funding at this level.

I am also concerned with the large reduction of funding in the APHIS and Forest Service budgets for research and control of the Gypsy Moth. This insect defoliated 5 million acres in 1980 and last year increased its appetite to devour another 13 million acres in 11 Northeastern States. The Gypsy Moth is becoming a serious national problem, as it continues to work its way south and west, damaging woodlots, public parks, and family trees of homeowners.

In the past, APHIS has provided funding and the national direction for performing research, inspection, and coordination of control measures to fight the Gypsy Moth. However, with the infestation getting progressively worse, the Administration's budget request all but eliminates funding for the research program, with only $673,000 for Fiscal Year 1983, compared to $5.19 million in Fiscal Year 1982.

The USDA Forest Service also contributes to the Gypsy Moth Control effort, through its Forest Pest management program, which provides cost-sharing money to States having serious problems with infestation of tree-damaging insects. New York State combines this federal money with State and county money to spray areas with heavy infestations of the Gypsy Moth. However, this program too has had its funding reduced in the Administration's budget request. As a result, there will be less money to spray more acres of land.

I urge the Committee to consider restoring the Gypsy Moth program to its 1982 funding levels so that there will at least be a fighting chance against this spreading pest.

PREPARED STATEMENT OF HON. MAX BAUCUS

U.S. SENATOR FROM MONTANA

Thank you for the opportunity to submit my recommendations pertaining to the funding levels under the fiscal year 1983 budget request.

As you know, net farm income is projected to fall below $10 billion in 1982 for the third consecutive year. Farmers simply cannot afford to absorb additional costs due to federal budget reductions.

I would hope that the budget level for the Foreign Agricultural Service is increased to reflect our commitment towards promoting agricultural exports. I am particularly concerned that increased funding should be utilized to continue expansion of market development activities.

I believe it is important that the Federal Grain Inspection Service receive adequate funding to prevent the closure of area offices. The proposed closure of the FGIS facility in Butte, Montana, would eliminate essential grain inspection and weighing services.

Agricultural research is important to maintain our farm productivity. Therefore, under the Agricultural Research Service budget I would request that the line item for TCK Smut in wheat receive increased funding over the $473,000 figure in the FY 1982 budget. I would also ask that you consider a line item appropriation for leafy spurge at a minimum of $1.3 million. Leafy spurge infestations affect over 3 million acres in North Dakota, Montana, Wyoming, and other western states. Land grant colleges, in cooperation with USDA, have the ability to curtail the menacing growth of these infestations. A specific appropriation for leafy spurge is appropriate either under the Agricultural Research Service budget or the Animal and Plant Health Inspection Service budget.

I support the recommendations of the National Association of State Universities and Land Grant Colleges (NASULGC) that a 9.15 percent increase over FY 1982 funding be provided in the Hatch Fund. A special concern to Montana is the funding for biological control of pests. I again support the NASULGC recommendation that this Program be transferred to Hatch Funding at a minimum level of $500,000. I also support present or increased levels of funding for STEEP-Soil Erosion in the northwest, Animal Health, TCK Smut, and Alcohol Fuels under the Cooperative State Research Service portion of the budget.

Title XIV of the 1981 Farm Bill, Section 1478, authorizes funding of range research through the land grant system. The implementation of this research funding is critical to the development of the Montana range research program.

In 1981, the Muddy Creek Rural Clean Water Program (RCWP) project application was filed with the National Coordinating Committee (NCC) under the Agricultural Stabilization and Conservation Service. The Muddy Creek Project was not approved for funding in 1981 due to funding limitations. There were no appropriations under the Rural Clean Water Program in 1982. I support a portion of the 1981 appropriation level of $20 million for FY 83 appropriation.

I support funding for the ASCS Agricultural Conservation Program and the Soil Conservation Services Great Plains Conservation Program at least at fiscal year 1982 levels.

I understand that the Farmers Home Administration 601 Program will not receive appropriations in FY 83. The President's recision of FY 1982 funding for the 601 Program denied funding for projects in the application process. In a particular instance in Montana, this meant that $126,500 for Big Horn County was lost after the County, in good faith, spent nearly $20,000 of its own planning money. I would appreciate your consideration of appropriating such funds as may be necessary to fulfill 601 contracts that were in the application process at the time of the recision of FY 1982 funds.

Thank you for the opportunity to present my recommendations on the FY 1983 budget. I appreciate your consideration and if I can provide any further information on any of these matters please don't hesitate to let me know.

PREPARED STATEMENT OF HON LARRY PRESSLER

U.S. SENATOR FROM SOUTH DAKOTA

I would like to take this opportunity to express my views on the proposed FY 1983 budget for agriculture. Farmers are in desperate need of assistance, due to the high cost of production and declining farm income, and it is essential that we recognize this need when we consider the agriculture budget.

As a strong supporter of expanding agricultural exports and agricultural research, I am pleased to see that the Administration has proposed increased funding for these programs. U.S. farm exports last year exceeded $43 billion--a 5 percent increase from the previous year; and the agricultural trade surplus totalled $26.6 billion--an 11 percent increase. It is vital to the U.S. and the American farmer that these increases continue. To continue the expansion of farm exports, the U.S. must adequately fund export market development programs such as the Export Credit Guarantee Program and provide funding for the Export Credit Revolving Fund which was authorized in the 1981 farm bill.

Agricultural research is also vital to continued increases in farm productivity. Presently, each American farm feeds 78 people, but as the world population increases, farm production must also increase. Agricultural research and the extension service to distribute research to farmers are two of the most productive uses of federal funds. We must insure agricultural research and the extension services adequate funding in FY 83.

Several funding reductions for the proposed FY 83 agricultural budget are of great concern to me. A strong soil and water conservation program is vital to agriculture and the United States. Topsoil is our most valuable resource and erosion in many areas is severely threatening it. On the Great Plains, when settlers first began farming, there was an average of 30 inches of topsoil, but today, there are only 5 or 6 inches left. In areas where the original topsoil was less, the crisis is even greater. The Administration has proposed a reduction in funding for the Soil and Water Conservation Program in an effort to direct funds to critical areas of soil erosion. I am concerned that this program will not be adequately funded in areas where soil erosion is now controlled, but may soon become critical areas with no funds available to aid in erosion control.

Other proposed budget reductions that concern me are the lending programs for farmers and rural areas. As I am sure you are well aware, farmers are having difficulty in dealing with high interest rates and obtaining credit to operate when their income has declined due to the depressed farm prices. Farm auction sales and foreclosures have increased dramatically this spring. I am encouraged by the increase in FmHA farm operating loan funding, but other farm loan programs may also need increased lending authority. The housing industry and other rural industries are also suffering due to tight credit and high interest rates, and now may not be a good time to reduce lending programs for these areas.

The proposed reduction in the REA guarantee program would also create problems for rural people. Last year the interest rates for these loans were revised and the change has resulted in higher utility rates for rural consumers. These increases come at a very inopportune time for farmers and elderly people on fixed incomes who live in rural areas. The REA program has been very successful and the loan programs are off budget, so the effects of the budget would be minor.

These are a few of the major points of concern to me and my constituents in South Dakota. I am well aware of the budget constraints which we are under, but a prosperous agricultural sector is essential to the United States.

Thank you for this opportunity to express my views. I appreciate your consideration of this important issue.

JOINT PREPARED STATEMENT

MS. JOYCE DORTCH, EXECUTIVE DIRECTOR
MS. NELLIE HUTCHISON, LEGISLATIVE CHAIR
(MISSISSIPPI CHAPTER)

NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.

(AT THE REQUEST OF SENATOR COCHRAN)

We are pleased to be able to share with you some of our concerns about proposed cuts and changes in the WIC, food stamp, and summer feeding programs.

We would certainly urge Congress to keep the WIC and Maternal and Child Health programs separate and to fund them at least at current 1982 levels. The administration's proposal for $1,000M for the combined Women, Infant, and Children Services Block Grant is 21% less than the combined budget for 1982, a significant loss in services to mothers and babies.

As you well know WIC has been an extremely helpful program to mothers and babies in Mississippi, where the infant mortality rate is still the highest of any state in the nation. It is a preventive health program that works; it is estimated that for every dollar spent on WIC, three are saved in future health or mental health related costs. In like manner the maternal and child health programs funded by the MCH block grant are important in dealing with the often preventable health problems of mothers and children. These services also address the problem of infant mortality in a very real and necessary way.

We are greatly concerned, however, over the proposal to merge these two programs into a block grant. Even though they address similar problems, these programs are very different. WIC provides a direct grant or benefit e.g. supplemental food to women, infants, and children. MCH provides professional services so most of this money goes for salaries of professional staff. When these two types of programs are put together and are in competition for money, it is only natural that administrators who have a commitment to staff and the survival of their agencies will give priority to staff retention rather than to money for WIC food. We are very fearful that the great losers in this kind of merger of WIC and MCH will indeed be those who need and can greatly benefit from the supplemental food.

Food stamps is really a "survival net" program. The proposed reductions and further delay in cost of living adjustments will create large and gaping holes in that "survival net". If the cost of living adjustment is frozen as proposed, it will mean a four year gap without any adjustment for the increases in the cost of living at a time when food costs have continually risen.

In addition, with the economic recovery slowed, many people will lose significant and urgently needed benefits while not yet reaping any benefits from the President's promised economic recovery and stability. One poignant example of this is those part-time and marginally employed heads of households who, having lost ADC and Medicaid benefits because of the new AFDC regulations, would now be faced with further reduction in the meager .43/person/day food stamp allotment.

In conclusion, we must object to proposed curtailment of the summer feeding program. Children may stop attending school in the summer, but they do not stop learning and their bodies do not stop needing good nutritional food. Because of new regulations which prohibits sponsorship of summer feeding programs by private non-profit groups, there will be 50% fewer program sponsors in Mississippi this summer and an equal reduction in the number children served.

We understand the problems Congress faces with the rising budget deficit; however, the line must be held on these human service programs. It is very disturbing to know that the proposed increase in the military budget for 1983 is $28B which is equal to the total federal budget for food stamps and medicaid. We urge that necessary cuts be shared by all segments of the economy.

PREPARED STATEMENT OF JUD WILLIAMS

CHAIRMAN, COORDINATING COMMITTEE

GEORGE D. AIKEN R.C. & D. AREA

I would like to submit the following as testimony to be included in your committees' hearings on the Soil Conservation Service budget. Of specific concern to the people within Southeast Vermont is drastic reductions in the Resource Conservation and Development Program budget.

The George D. Aiken Resource Conservation and Development Program was initiated by the desire of local people to work together to solve resource problems on the local level. It was initiated and is still run by local people, like myself, who believe that we best know the needs of our area. We believe the RC&D approach of local control and planning, with federal and state assistance, allows the RC&D Program to truly meet local resouce needs.

I am somewhat confused. Why is the administration proposing a 10.3 million dollar RC&D Budget just a few months after the President signed the 1981 Farm Bill that provides for an RC&D Program through December 1986? It was my feeling that RC&D has more than taken its share of budget cuts for the past years. We had a national budget of 34 million in 1981 and are now operating at 26 million, but 10.3 million is an obvious attempt to ignore the desires of congress and the people to continue a program that has worked on a local level.

The RC&D Program is a small rural program that does not have the support of not only the Reagan Administration but many members of congress. We work with towns and local organizations with grass roots natural resource problems. Very few of our nation's urban legislators have even heard of RC&D and many do not believe natural resource conservation in rural areas effects them. This could not be further from the truth. The wise use of our natural resources that support us all is of utmost importance.

I would like to list some of the accomplishments of the RC&D Program in our 66 town area in Southeast Vermont.

- involved more local people in looking at natural resource problems and needs.
- provided cost-sharing assistance to communities for erosion control, flooding, drainage, water management not available from another program.
- helped coordinate USDA activities on an area wide basis.
- provided a vehicle for cooperative efforts by agencies, businesses, communities and groups. We have remained un-biased, therefore, people trust us.
- always kept implementation as the end product of our existence. Plans and papers on a shelf have never done much to develop and conserve resources. We have completed over 150 on-the-ground projects since 1964.

Another consideration is the number of people in our area serving on our Coordinating Committee and also our resource committees without pay because they believe in the RC&D approach. We have 14 representatives on our Coordinating Committee from Regional Planning Commissions, Conservation Districts and Non-Profit Development Associations that meet monthly to set priorities and direct the operations of our Program. We have 5 resource committees made up of local citizens interested in certain resources that have been meeting over the past year to identify problems and needs relating to their specific interests. All of these people represent diverse interest brought together through the RC&D Program to meet conservation and development needs. This type of success is not susceptible to the USDA's benefit-cost analysis!

I know that the RC&D Program is very small potatoes compared to most other USDA programs but I believe it has been the most effective in meeting the needs of our area in Southeast Vermont. I hope that you are supportive of the RC&D Program and will do what you can to assure a continuation and strengthening of it in the future.

Thank you for your consideration and interest in the RC&D PRogram. I would be very interested in your own personal views on the RC&D Program and comments concerning its' future direction. If we in the George D. Aiken RC&D Coordinating Committee can be of assistance in any way, please let me know.

PREPARED STATEMENT OF MIKE PELT
CHAIRMAN

AMERICAN ASSOCIATION OF CROP INSURERS

Mr. Chairman, I am pleased to again have the opportunity to submit testimony to your Committee on behalf of the American Association of Crop Insurers. Last year, I expressed high hopes for the program. You worked with us over this past year, and supported us, and we are here again today asking for your continued support and funding.

We hope that Congress will look at this program, and evaluate it for what it is -- a program that insures farmers against natural disasters. We hope Congress will not look to this program as a solution to the farmer's general economic woes. The American Association of Crop Insurers deals with farmers all over the country, on a day-to-day basis. We know that farmers are facing the worst economic stress in recent history. These problems involve low commodity prices, high interest costs, inflationary costs to produce farm products, and other things that are far removed from crop insurance. It would be a mistake, in our opinion, to blame the current agricultural economic crisis on the crop insurance program. Therefore, we hope that Congress will keep crop insurance in the proper perspective when evaluating the program.

As you know, the American Association of Crop Insurers is composed of companies that worked closely with Members of Congress in the development of the Federal Crop Insurance Act of 1980. We strongly believe that the Federal Crop Insurance Program can be the primary form of Federal disaster protection for farmers, and can successfully replace the complicated and inequitable disaster payments program, if given a chance to work.

The Federal Crop Insurance Act provides that the Federal Crop Insurance Board shall, to the maximum extent possible: (1) establish or use committees or associations of producers; (2) contract with private insurance companies; and, (3) encourage the sale of Federal crop insurance through licensed, private agents and brokers and give the insurers the right to renew the insurance. Further, the law directs the Corporation to provide reinsurance to the maximum extent practicable to private insurance companies, reinsurers of such companies, and state or local government entities. Thus, the American Association of Crop Insurers feels that the intent of the law is clear -- private insurance companies and agents should be used to the maximum extent in implementing the Federal Crop Insurance Act of 1980.

Mr. Chairman, we believe that the Federal Crop Insurance Corporation is successfully implementing the intent of the law. And, we are keenly aware of the enormous administrative and technical burden this has created for the Corporation. There is no doubt that there are bound to be some problems when one considers the massive undertaking of rapidly expanding, on a nationwide basis, the Federal Crop Insurance Program. We further believe that the Federal Crop Insurance Corporation should be highly commended for its recent Board decisions to implement a new premium billing and collection policy, along with changes in the sales commission payment schedule. These are good and sound business practices that most of the insurance industry strongly supports.

We know that the Federal Crop Insurance Corporation is undergoing an enormous amount of change in a short period of time. And, the Corporation is working very hard to replace the governmental delivery system with the private insurance industry delivery system.

I would like to point out that the private sector is now taking a much larger role. The private insurance companies did not get geared up as fast they could have in 1981 because of the change in the Administration after the 1980 election. The American Association of Crop Insurers believes that a nationwide, multi-peril insurance program, delivered by the private sector, is fast becoming a reality. Since March of last year, I am happy to report that a total of 35 companies and insurance organizations have now entered into reinsurance agreements with FCIC. There were only 19 companies signed up this time last year. These companies are writing policies for the 1982 crop, and we are determined to help make the multi-peril insurance program a success. The Corporation is predicting that about 30 to 50 reinsured companies will handle about 50 percent of the total premiums during crop year 1983. We believe this will happen, and we need your support to make it so.

The reason I am appearing before your Committee today is to speak on behalf of the Administration's budget request for the FCIC. We feel that the way Congress structured the new Federal Crop Insurance Program permits a minimum of administrative expenses by the Federal government. By using the vast, nationwide network of the private insurance companies and agencies, the FCIC can make multi-peril crop insurance available nationwide without hiring a huge new bureaucracy. However, a program of this magnitude requires certain administrative expenses.

Representatives of the Federal Crop Insurance Corporation appeared before your Committee on March 17, 1982, to request funding for fiscal year 1983. We feel that it is imperative that the Federal Crop Insurance Program be implemented in a timely way, and in the manner that the Corporation has proposed. Therefore, we support Agriculture Secretary Block's request for $293,703,000 for Administrative and Operating expenses, and his request of $250 million for subscriptions to capital stock which is needed to enable the FCIC to make indemnity payments to insured farmers. This amount represents the remaining portion of the total capital stock of $500 million authorized by the Federal Crop Insurance Act of 1980.

For fiscal year 1983, the appropriations request for Administrative and Operating expenses will enable FCIC to provide for additional growth, which will bring the Corporation closer to attaining its long-term goal of improving the economic stability of agriculture through a sound system of crop insurance.

The Administrative and Operating expenses of $293,703,000 will be necessary to provide funds for costs of adjusting losses, reinsured companies, and agents' commissions, and for expansion of the following major activities:

(1) Underwriting, actuarial and program development. We believe funds are necessary to develop crop insurance programs, and to establish and maintain rates and coverages for crops in each present and new county.

(2) Marketing and collections. We feel that extensive marketing programs are very necessary at this time to make the crop insurance program a success. Therefore, funds are necessary to cover all aspects of marketing development.

In addition to the Administrative and Operating expenses, and the $250,000,000 subscription to capital stock, the Corporation is requesting $145,575,000 for premium subsidy to encourage the broadest possible participation by farmers in the multi-peril crop insurance program. As you know, this request would provide an estimated Federal subsidy of about 30 percent of each producer's adjusted premium.

Finally, $27,658,200 has been requested for restoration of funds for agents' commissions paid from premium income during prior years, but not previously reimbursed. The 1983 budget is expected to provide insured farmers with about $5 billion of crop insurance protection. Crop insurance will be available, in the 1983 crop years, for almost all the acreage devoted to the disaster payments program crops. And, farmer participation for crop year 1982 is estimated to reach a rate of over 30 percent of the potentially insurable acreage.

Producer participation is projected by the Corporation to range from 40 to 50 percent on the 1983 crops. The major portion of the administrative and operating expenses is to provide for the program delivery system that will utilize the private sector heavily. We believe that the total funds requested for 1983 will provide for continued nationwide expansion of the crop insurance program in all agricultural counties and make crop insurance available to farm producers as rapidly as possible.

The American Association of Crop Insurers feels that the money appropriated for FCIC will indeed be well spent when one considers that the Agriculture and Food Act of 1981 phased out disaster payments for the 1982 crop year. Although the 1983 budget request is significant — the total amount requested is $716.9 million, for an increase of $291.9 million above the amount contained in the fiscal year 1982 Agricultural Appropriations Act — we feel that it is the minimum necessary to do a good job of implementing the program.

Mr. Chairman, I also want to assure you that we realize that if the program is going to work, we must do a good job of serving our customers, and your constituents -- the farmers. We know that the multi-peril crop insurance program will be successful only if the farmers of the Nation are properly served. We also realize that the Federal Crop Insurance Act of 1980 was enacted by Congress for the farmer -- not for the crop insurance industry.

Because of the large risk involved in writing crop insurance, multi-peril crop insurance can be provided on a nationwide basis only with the commitment of the Federal government. We think the Federal crop insurance program is the proper and fair means by which farmers should receive disaster protection. The Federal government has always responded generously with subsidized loan programs, emergency feed assistance, and other programs aimed at relieving the economic ruin that natural disasters inflict on farmers. It is the belief of the American Association of Crop Insurers that the most equitable, least expensive, long-term program of dealing with all of these natural disasters is through a nationwide, multi-peril crop insurance program, backed by the Federal government with maximum private industry cooperation. Unless there is appropriate funding to implement the Act, not only will the Nation's farmers be shortchanged, but the interest of private insurance companies in participating in the Federal program to date will be negated. Therefore, we hope that your Committee will act favorably on the Federal Crop Insurance Corporation budget request for fiscal year 1983.

PREPARED STATEMENT

AMERICAN ASSOCIATION OF NURSERYMEN

The agricultural community in the United States is composed of many diverse elements. Among these is the nursery industry, which is an important and expanding segment of the community. The nursery industry, among all other branches of agriculture, is most in the public eye. Products of the nursery portion of agriculture can be seen everywhere -- on city streets, in yards, around buildings and inside homes and offices. The American Association of Nurserymen with offices at 230 Southern Building, Washington, D. C., is a trade association with more than 3,000 member firms. Our production is agriculture, therefore our interest in the budget request currently before the committee.

We would also like to emphasize that our product is a significant part of overall horticultural production which is estimated to have a farm value of over $16 billion. Thus horticulture is the third largest commodity classified as agriculture. In 1981 the nursery industry produced plants with an estimated $1.6 billion in wholesale value. Throught the years American Association of Nurserymen and its members have willingly accepted federal and state quarantines and other regulations aimed at preventing the artificial or long range spread of hazardous plant pests. To comply with the requirements of these quarantines and regulations that nursery plants mustbe free of hazardous insects and diseases, materially increases the production cost of the fruit trees, berry plants, forest tree seedlings, as well as the trees, shrubs, vines, and groundcovers produced for landscape and environmental enhancement of homes, schools, churches, office buildings, highways, and parks. As agricultural producers, we recognize how serious plant pest problems can become when a new pest is introduced into a new region of the country. Nursery crops are often named as regulated commodities under the quarantines and regulations, because the pest might be moved with nursery plants. In many cases, the pest is not a pest of nursery plants. In other words, the nurseryman is regulated to protect American agriculture, and other property owners from pests which might be very hazardous for crops they're producing or for their home grounds.

In the proposed Animal and Plant Health Inspection Service budget for fiscal 1983, we note with grave concern, that there are no funds budgeted for golden nematode or witchweed, and only limited funds for imported fire ant and gypsy moth. Nursery plants are regulated commodities under all of these quarantines. In the case of golden nematode, witchweed, and imported fire ants, nursery plants are not attacked by these pests. Even in the case of gypsy moth, nurserymen have little trouble preventing defoliation of their plants by this pest, however, they do have great difficulty in preventing gypsy moth larvae from moving into nurseries from adjacent properties, pupating in the nursery, and the female, upon hatching and mating, depositing egg masses on the nursery plants. Even so, state and federal inspectors have not found gypsy moth eggs on nursery plants except in the fall of 1980 and the spring of 1981.

Inasmuch as the nurserymen have borne more than their share of the responsibility of preventing the spread of these four quarantined pests and others, the industry requests that those who are protected should share in the cost of that protection. Since this protection is for the non-infested areas of the country, the cost should be borne nationally and not made the sole responsibility of the producing nurseryman and his state.

Golden nematode is primarily a pest of potatos. The only known infestations in the United States are on Long Island and very limited spot infestations in the upstate counties of Steuben, Orleans and Wayne.

With the budget cut proposed, APHIS has already announced that they would have to rescind the federal quarantine. Immediately, numerous states and Canada would impose a quarantine on the State of New York and unfortunately, many would declare the whole state regulated, which would prohibit, in those cases, any nursery plants moving from New York to the states imposing quarantines or Canada with such a regulation. From past experience when the federal quarantines for Japanese beetle, European chafer, Soybean cyst nematode, and White fringe beetle, quarantines were rescinded, nurserymen in the infested areas of the country were immediately confronted with not one uniform quarantine, but a number of quarantines, which unfortunately, varied in their requirements. Nursery plants, which are an important agricultural crop of New York State, would be the single largest agricultural commodity effected by this proposal.

It is therefore recommended that the golden nematode quarantine and program be continued and financed in the APHIS budget at the rate of $1,000,000 for 1983.

Witchweed, an imported plant pest of corn and related monocots, is not at all a pest of nursery plants. Yet in the limited areas of North and South Carolina where this pest is known to occur, nurseries can not exist within the regulated area. This quarantine has been imposed to prevent the spread of this pest to the major corn producing areas of the United States. Since corn is a major agricultural crop, and is also one of our major agricultural export crops, this quarantine is vital to the entire country and should not become the sole responsibility of North and South Carolina. If this pest were to spread to the major commercial corn producing areas of the United States, the United States would be unable to produce enough corn to meet the domestic demand with the result that our total export market for this crop would be sacrificed. Despite limited budgets, amazing progress has been made in development of effective technology for eradicating this pest from many of the outlying infestations in North and South Carolina with the result that only the county of Robeson, in North Carolina, remains generally infested. In all other counties, suppression or eradication treatments have been continued. Therefore, if witchweed is removed from the budget, North and South Carolina and the property owners in the infested area will not be able to bear the burden alone, with the probability that this pest will again begin to spread. If the federal quarantine is rescinded, as it would have to be if this budget item is eliminated, it would be expected that most corn producing states would place an exterior quarantine on the states of North and South Carolina which could prohibit any nursery plants from being shipped from these two states.

It is recommended that the witchweed item in the APHIS budget be maintained in 1983 at the $4,723,000 level.

Gypsy moth is a plant pest which was imported in the 1860's into Massachusetts. It spread slowly through the New England area until the 1940's when it began to spread out of New England and is now beginning to spread rapidly down the Appalachians. Nursery plants have been one of the principal regulated commodities to prevent the long distance spread of this pest to other regions of the country. During the past ten years increasing numbers of spot infestations have been found throughout the United States from Florida to Missouri, Nebraska, California, Oregon, and Washington. This pest has been carried there on recreational vehicles or lawn and outdoor furniture by persons moving from the infested Northeastern area. In 1980, when the gypsy moth population exploded resulting in over 5 million acres of woodland defoliated compared to less than 700,000 acres in 1979, some nurserymen were caught off guard and as a result some nursery plants were contaminated with gypsy moth egg masses. Those nurseries which had become contaminated had to be inspected plantbyplant by the producing nurseryman and his state and federal inspectors before those plants could be shipped outside the infested area. In 1981, several properties in the metropolitan Washington area were found with oak trees defoliated by gypsy moth. In addition, gypsy moth defoliation jumped from the 5 million acres mentioned above to over 13 million in 1981 and is expected to be greater still in 1982. Without the coordinating effect of a federal quarantine, this serious pest of our residential shadetrees and woodlands, would continue to spread with increasing rapidity.

It is recommended: (1) that the 1983 budget item for this pest be increased to $5,000,000, and (2) that Congress authorize Animal and Plant Health Inspection Service to regulate the movement of recreational vehicles and lawn and garden furniture from the infested areas to non-infested areas of the country. It is in the national interest to protect the non-infested portions of the country, while those in the infested areas, learn to live with this destructive pest.

From the inception of the federal imported fire ant quarantine, nursery plants have been a regulated commodity. Nursery plants are not affected by the pest, yet, nurserymen must control this pest to prevent it spreading with their plants. Nurserymen were dealt a serious blow in their ability to control imported fire ants in nurseries, with the negotiated settlement leading to the December 31, 1979 cancellation of the registration of chlordane. At considerable increased expense to the nurserymen, a special formulation of the pesticide Dursban FA-5 has been cleared for quarantine uses by nurserymen in producing plants on raised benches or in containers. Research has not yet produced a replacement pesticide or method for controlling fire ants in field-grown nursery plants that will give the degree of control necessary for quarantine certification for out of state shipment. Nurserymen's cooperation in protecting the rest of the country from imported fire ant will have been for naught unless effective control methods and/or pesticides are developed.

It is recommended that the imported fire ant program be funded federally and at a level which will enable the U.S. Department of Agriculture and the state departments of agriculture to jointly eliminate futher spread of this pest and develop more effective means of controlling the pests in those areas of the country currently infested. Further, additional research should be funded by the Agricultural Research Service to provide field-producing nurserymen with the means of producing nursery plants that will be certifiable as free of imported fire ant so that those plants may be shipped to other regions of the country for commercial food production, home garden production, and environmental landscape uses.

To assure that the nursery industry's products will be available in the face of ever increasing demands for their use in improving our environment and in saving energy, the American Association of Nurserymen has annually submitted testimony highlighting important areas of research which, in our opinion, require immediate and serious attention.

This year, however, in view of the substantial budget reductions proposed for the APHIS 1983 budget, our comments will be limited to supporting the foregoing proposals for strengthening the 1983 APHIS Plant Protection and Quarantine Regulatory efforts.

We are pleased that the Administration is requesting an increase in the ARS budget which is sufficient to protect the base programs against anticipated 1982 and 1983 inflation effects and achieve an annual real growth of 3% since 1981. We also appreciate that the U. S. National Arboretum will be receiving $250,000 for expanded security measures, including fencing. More needs to be done, but this is at least a start for it is only through the improvement of facilities and the expansion of present programs that the full potential of the National Arboretum can be reached.

As was mentioned in the first portion of our testimony, the Imported Fire Ant is a most serious and dangerous pest — even more so than previously realized. Research has revealed that about one percent of humans tested were highly susceptible to the venom of the Fire Ant's sting. In fact, the sting can result in anaphylactic shock and death in certain sensitive persons.

It took research to identify the components in the Fire Ant's sting that can cause shock and death. Behavioral studies have revealed that only older ants forage for food and that younger ants stay close to the mound and tend to the larvae. Because of this, fast-acting poisons have previously only killed older ants. Researchers have also found the optimum time for release of control agents — in summer it's late evening and in the mid-afternoon in winter. However, still more research is necessary to develop an effective and environmentally safe pesticide for the control of the Imported Fire Ant. We strongly urge the Congress to fund and direct the ARS to develop such a pesticide.

We want first of all to thank the Congress for continuing to endorse a balanced funding of local, state and federal interests, personnel, funding, program development and administration, by appropriating an increase of about 9% in the State Agricultural Experiment Station Research budget for 1982. This level will at least maintain the research capacity of the nation's Agricultural Experiment Stations and continue the effectiveness of the cooperative federal, state and local system. As with the ARS, although the increase is not substantial, we support the $3.6 million budget increase for the State Agricultural Experiment Stations in 1983. This will at least help cover salary increases of State employees and other rising operating costs of research.

In our testimony to this Committee during the last three years, the Association expressed its judgment that the Competitive Grants Program is not the best way to distribute funds for research. We firmly believe the research programs should be based on specific needs — rather than the collective judgment of a peer group whose assignment is to screen research projects proposed by scientists for possible funding. We were again pleased that Congress concurred with our opinion in their 1982 appropriations. Our position remains unchanged, and we recommend that Congress budget the Competitive Grants at the same level as last year.

PREPARED STATEMENT OF REXFORD A. RESLER

EXECUTIVE VICE PRESIDENT

AMERICAN FORESTRY ASSOCIATION

A previous commitment kept me from requesting an opportunity to testify at the April 19 and 20 hearings on the U.S.D.A. budget for Fiscal Year 1983, and I respectfully ask that, if possible, this letter be included in the hearing record as a statement on behalf of The American Forestry Association.

AFA is a citizen conservation organization, founded in 1875, and dedicated to the protection and wise use of forests and related natural resources. Certain resource conservation programs within U.S.D.A. are therefore of special interest to us.

We would prefer to see funding for all U.S.D.A agencies increased, commensurate with the job that needs to be done in erosion control, water management, and improved resource productivity. However, given the need to reduce federal spending in order to bring down the projected budget deficit, we realize the need for spending constraints.

One of our primary concerns is the loss of valuable cropland that is occurring as a result of conversion of farmland to other uses---estimated by the recent National Agricultural Lands Study at as much as 3 million acres a year---and the continuing problem of soil erosion, which results in the loss of the equivalent of another 3 million acres of crop land each year. Not only do these losses reduce our food production capacity, they also result in the loss of forest lands which are eliminated to create new farmlands.

We are pleased to see that the 1983 budget for SCS conservation programs does include increases that will allow current programs to be maintained at 1982 operating levels or in some cases expanded slightly.

Soil erosion continues to be one of this nation's most serious resource conservation problems, and we cannot afford to slack off on our soil conservation efforts.

Within programs administered by the Agricultural Conservation and Stabilization Service, we are most concerned about the total lack of specifically targeted funding proposed in the 1983 budget for the Forestry Incentives Program. Experience shows that by combining FIP with the ACP program, little of the ACP funding will be spent on essential forestry work.

Recent figures have shown that only one in nine acres of small non-industrial woodlands being harvested in the south today is being manually reforested. Some acres are reseeding naturally to pine or desirable hardwood species. But the bulk of these lands are simply being left to come up in brush or low value hardwood species. The productive capacity of the land is being wasted, and the cost of future tree planting being increased as "green junk" reclaims the land.

On the other hand, since its inception in 1973, the FIP program has been responsible for more than 2 million acres of timberlands being treated, 55 percent with reforestation and 45 percent with timber stand improvement. In fiscal year 1981, 211,000 acres were treated under FIP for reforestation and 103,000 acres with timber stand improvement.

With the current slump in housing and timber harvesting, the need to grow more wood may not seem urgent. But there is ample evidence to indicate that this country can become a net exporter of timber by early in the next century if the trees are planted today. These types of long-term investments are difficult for many small landowners to comprehend or favor over short-term investments, especially with today's high interest rates. Therefore, an incentive in the way of cost sharing is one important way to encourage investments by small landowners that would not otherwise be made.

One of the primary purposes of FIP was to encourage and assist the small landowner in the reforestation of harvested lands. The budget-makers in the Administration now argue that it is up to the private sector and the states to fund such assistance if there is to be any. We agree that the private sector can do more than it is now doing to encourage increased wood yield on non-industrial holdings. Also, states have already initiated their own FIP programs. Nonetheless, we believe that it is far too early to totally eliminate the federal assistance and urge that the FIP funding be maintained at the 1982 level targeted to accomplish forestry work.

A recent evaluation of the 1979 Forest Incentives Program clearly demonstrates the effectiveness of this investment in the future productivity of the non-industrial forest lands of the nation.

Nationwide, 678 cases were examined on the ground by trained foresters to gather physical data on acres treated, effectiveness of the treatment prescriptions, survival data on reforested acres, growth data for each site, and productivity class, costs of treatment, and acres retained in forest production.

The economic analysis shows that the weighted average internal rate of return on all cases, even those that were disallowed for one of several reasons, was 8%---in real terms, after allowing for the effects of inflation. The study also shows that the returns to the federal treasury, using average capital gains and other tax benefits experienced by this class of owner, will return 2 dollars for every 1 dollar expended in the FIP program. And these calculations do not take into account the multiplier effect on the economy as the timber is harvested and the wood products marketed.

The evaluation shows beyond any reasonable doubt that the specially targeted FIP program (1) is an effective program, (2) efficiency has improved since its inception, (3) retention is high, (4) FIP funds are spent in the poorest countries, (5) that they contribute to maintaining an effective vendor system, and (6) that the program will return funds to the treasury on a ratio of at least 2 to 1.

We urge that the FIP program be funded as a separate and targeted program as has been the case in the past at least at the 1982 figure of $12.5 million.

Turning to the programs of the Science and Education Administration, we would recommend that research funding under the Hatch and McIntire Stennis Acts be increased slightly over 1982 to $150 million and $13 million respectively, in order to maintain these programs at their current level. Any diminution in support for forestry research will cost the nation in the future in lost time and productivity.

Within Agriculture Extension, we urge you to fund the Renewable Resources Extension Act to the fully authorized amount of $15 million. This Act was passed in 1978 and was funded for the first time in 1982 to the amount of $2 million. Even this was the subject of a recision request by the Administration, but denied by the Senate.

More than half of the forestland in this country is in small non-industrial ownerships. To the extent that good resource management is something to be desired on all lands, it follows that more than half of the nation's wood, wildlife, water, and outdoor recreation lands are being managed by people with little or no training or experience in resource management; the landowner himself. The natural resource extension programs provide the vital education and information link between the resource scientists and managers and the landowners. There is surely at least a $15 million degree of national interest to be served in helping the States provide technical information and assistance to the citizen who is trying to do a better job of conservation on his woodlot.

We strongly urge full funding of the Renewable Resource Extension Act in 1983. It will be a sound investment in productivity.

Production without protection is of little value, however, and fire continues to be one of the primary enemies of forest production. The Rural Community Fire Program, slated to be eliminated in the '83 budget, should be funded at least at the $5 million level.

Thank you for giving this your consideration.

PREPARED STATEMENT OF GLENN GIBSON
EXECUTIVE SECRETARY

AMERICAN HONEY PRODUCERS ASSOCIATION

Mr. Chairman and members of the committee, we appreciate this opportunity to present our recommendations for industry assistance. My name is Glenn Gibson. I have been a commercial beekeeper for more than forty years. I am the Executive Secretary of the American Honey Producers Association, a nation-wide beekeepers organization with members in 41 states. My office is in Minco, Oklahoma.

IMPORTANCE OF THE BEEKEEPING INDUSTRY

Apiculture or beekeeping is usually regarded as the production of honey and beeswax. In the U.S. 200 thousand beekeepers own more than 4 million colonies of bees. Average annual production is near 200 million pounds of honey and beeswax. However, bees are much more important for pollinations of crops than for the production of honey and beeswax.

Currently a few beekeepers rent their colonies to farmers for the pollination of numerous fruit, vegetable, oilseed, and legume seed crops. Cash rentals involve no more than 10 percent of colonies in certain areas such as California and Washington. The balance inadvertantly pollinate nearby crops free of charge.

RESEARCH RECOMMENDATIONS

We recommend that the present bee research programs be continued, but no new funds be appropriated for new projects or expansion of the current projects.

EXTENSION APIARIST

We recommend the appointment of a full time Extension Apiarist. If the committee doesn't feel that this justifies new appropriations, then we suggest that the Agricultural Research Service discontinue a low-priority research project and transfer the money to the Extension Service.

Extension for the beekeeping industry is practically nil. There is a crying need for the dissemination of technical beekeeping information to a number of different groups. Factual information about our industry seems to gather dust in some bureaucrat's office. Over the years the Agricultural Research Service has accumulated a mountain of data on beekeeping, but most of it is not used. Misinformation seems to creep into news stories about the bee business. Some agencies' decisions have been based on erroneous information. A steady stream of reliable information would be helpful in telling the bee story to the public.

An Extension Apiarist could be kept busy serving all segments of agriculture by continuously sending information to the following groups:

1. Farmers who grow crops that are benefited by the presence of honey bees during the fruiting time. More than 90 crops are benefited by bee visitations.
2. Government agencies that promulgate rules pertaining to the beekeeping industry.
3. Chemical companies who manufacture and sell pesticides that kill our bees.
4. Spray applicators who actually kill our bees.
5. Last, but not least, beekeepers.

We urge the Committee to give serious consideration to our recommendations. Thanks for giving us an opportunity to present our views.

PREPARED STATEMENT OF C. MANLY MOLPUS
PRESIDENT

AMERICAN MEAT INSTITUTE

The American Meat Institute (AMI) is a national trade association with over 300 member companies engaged in the packing and processing of meats and meat products. AMI has reviewed the U.S. Department of Agriculture's (USDA) FY83 budgetary proposals that will be considered by the Appropriations Subcommittee on Agriculture. We appreciate the opportunity to express our concerns about reducing the cold storage report of the Statistical Reporting Service.

On March 17, 1982, the USDA announced that along with other modifications of livestock and crop reports there would be an immediate reduction in the frequency of the Cold Storage Report from monthly to quarterly. According to the Administrator of the USDA's Statistical Reporting Service, the savings to the government will be $45,000.00

The elimination and modification of certain crop, livestock and meat reports is consistent with the federal government's focus on budget austerity. We recognize that budget realities dictate the sacrifice of lower priority reports.

We do, however, fear that the proposal to switch from a monthly to a quarterly Cold Storage Report could result in a cost to the marketplace far in excess of the small budget saving realized by a less frequent report. As you well know, information is very important in agricultural markets. Good, up-to-date information can help dampen the price swings in markets that have become increasingly volatile in the past decade. In other instances where the government issues infrequent commodity reports, markets too often react violently to "unexpected" numbers.

Information from the Cold Storage Report on stocks enables analysts to determine consumption levels. Consumption of a perishable commodity equals production minus change in stocks plus net imports. Meat production tends to exhibit seasonal patterns related to feed and pasture availability. Meat consumption also exhibits seasonal patterns with the level of demand for different meats changing during the course of the year. As an example, data on pork spareribs are presented in Chart 176. Production typically peaks twice during the year in the Spring and Fall months. Consumption, however, peaks in the early summer. The difference in production and consumption is reflected by movement into or out of storage. Since consumption data are not actually available it is necessary to know cold storage stocks in order to estimate consumption.

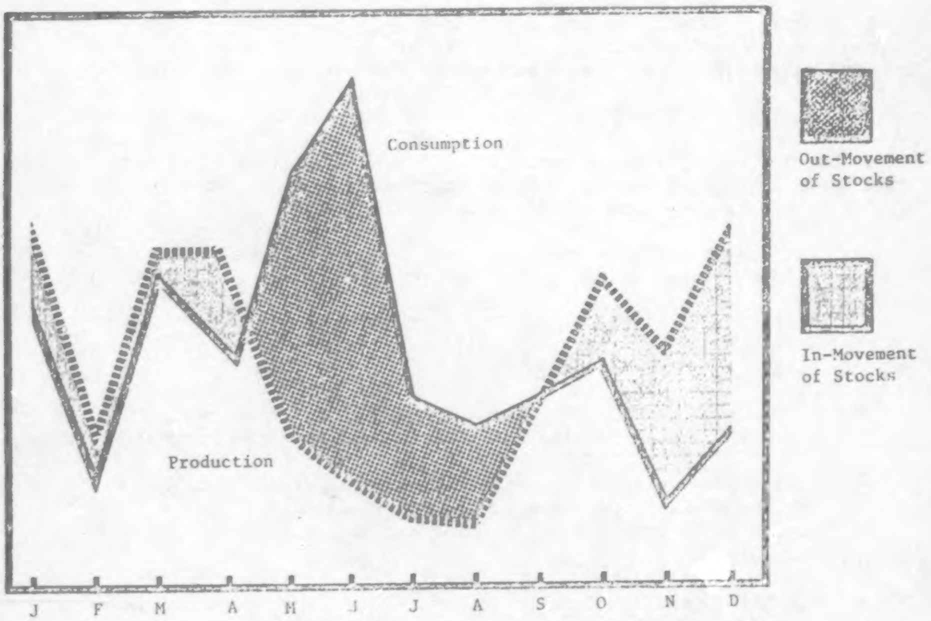
Quarterly cold storage reports will enable market analysts to estimate historical consumption rather than current market performance. In order to make any meaningful contribution to current market participants, it is important that the information be available on a more frequent rather than a less frequent basis. The increased market volatility in recent years makes the value of market information even more important. In other instances where the government issues infrequent commodity reports, the markets too often respond violently to "unexpected" numbers. Last year total cold storage meat stocks ranged between 500 million and 800 million pounds. If as a result of lack of information the stocks should be mispriced by only 1¢ per pound this would represent a $5-8 million market cost. Over the period of a year the market cost resulting from loss of information could be substantial. It seems that the benefit to the public from maintaining the monthly report far outweighs the $45,000.00 cost cited by the Administrator of SRS.

For these reasons, we urge you, the members of the Appropriations Subcommittee on Agriculture, to appropriate $45,000.00

to the Statistical Reporting Service in USDA's FY83 budget for the Cold Storage Report.

In general the American Meat Institute supports the Administration's attempts to curb government expenditures. We recognize that priorities necessitate sacrifice of lower priority reports. In the case of the monthly Cold Storage Report, the Institute believes that the loss of the information would result in an economic cost to the market ($5-8 million) and would far outweigh the small savings resulting from a less frequent report.

Production, Consumption and Stock Changes, Pork Spareribs
1981



Production, Stocks and Consumption of Pork Spareribs, 1981
(1,000 Pounds)

Month	Production[1]	Stocks[2]	Estimated Consumption[3]	Quarterly Consumption
January.......	55,076	34,964	53,947	
February......	47,990	36,093	46,764	
March.........	55,454	37,319	54,943	155,654
April.........	55,487	37,830	51,461	
May...........	48,924	41,856	57,995	
June..........	46,952	32,785	62,003	171,459
July..........	45,368	17,734	50,039	
August........	45,207	13,063	48,828	
September.....	50,338	9,442	49,694	148,561
October.......	54,416	10,086	51,377	
November......	51,549	13,125	45,708	
December......	56,349	18,966	48,520	145,605

Source: Derived by AMI from USDA Figures. [1] Computed as 2.76% of commercial liveweight. [2] On 1st. of month. [3] Production plus stocks at beginning of month less stocks at end of month. Excludes net imports.

PREPARED STATEMENT OF REV. JOHN E. EVANS
CHAIRMAN

ARKANSAS R. C. & D. AREA

The loss of soil and morals will destroy our nation! This has been proven throughout history. I believe the loss of soil and loss of morals go hand in hand. If we lose too much soil, production decreases and people get hungry. As a result, they are willing to do anything to get food. Also, if we lower our morals, people don't think of their fellow man and the long-term effect of abuse of our natural resources. A strong rural economy will go a long way in reducing the loss of our soil and morals.

The Resource Conservation and Development program, authorized by Congress in 1962, and given specific legislative authority in the Agriculture and Food Act of 1981, was enacted to allow the local people to accomplish some things that no other authority is even trying to do. Now, only two months after this act became law, the Administration's 1983 budget proposes termination of the program. If this is done, it will create a large void in the efforts to conserve and develop our natural and human resources in rural America. The long-range effects will severely damage our national well-being.

The Arkansas River Valley RC&D Project was one of the first ten projects authorized and funded. Our project has done everything from flood control and assisting small towns and communities in obtaining municipal water to encouraging industrial development and improvement of rural transportation. Briefly, these local projects include the following:

1. Kuhn Bayou - 17,000 acres of river bottom farmland improved through installation of drainage and flood control structures.

2. Menifee - improvement of overall living conditions in a small, predominantly black-populated town through drainage of surface water from streets and yards.

3. Galla Creek and Little Clear Creek - over 200 acres each of municipal and industrial water from small towns and communities.

4. Hunt's Park - improvement of community playground and ball field that benefits 7,400 children by installation of diversions and waterways to remove seepage and ground water from adjoining cemetery.

5. Van Buren Port and Industrial Park - this is a 160-acre industrial park development for a small town; six industries have located in this park providing employment opportunities for rural people.

6. Johnson County Arkansas River Bridge - this is an example of how RC&D sponsors accomplish things that otherscouldn't; the need for this bridge had been talked about for several years, but no action had been taken; the RC&D sponsors recognized the problem and initiated a plan of action that resulted in the proper agencies becoming involved; as a result, the bridge was constructed; this bridge is important to the economies of Johnson and Logan Counties, which are linked by the bridge.

These are only a few of approximately 165 measures completed in our local RC&D project area.

Nationwide, RC&D's are managed by local leaders in 1,242 counties. This is a good example of government working at grassroots level for local community benefit and is one of the best examples of volunteerism there is. Local RC&D sponsors have access to the best technical staff available through the Soil Conservation Service and other USDA agencies. These personnel are trained in various fields and disciplines. It would be a waste of money to disband the RC&D program when we are already geared up and have the expertise to handle the problems.

The money that Congress appropriates for the RC&D program is used as seed money that yields high returns. For every dollar of RC&D money spent in the Arkansas River Valley RC&D Area, forty dollars from other sources has been applied. In these inflationary times, we cannot afford to do away with a program that has been this effective.

Completed RC&D measures in this 11-county area have brought about a new awareness of resource conservation needs among the people. The overall conservation effort has been greatly enhanced.

The RC&D program is able to accomplish things that others cannot, as illustrated by the Johnson County Arkansas River Bridge. It is the only organization existing in each county of the approved areas that is keyed to meeting the rural development needs of those counties.

The RC&D concept is one that permits local people to assemble and find the solutions to common problems. It permits problem-solving from the local level upward, usually in areas that are economically depressed. Development of the local leadership is an added benefit to the area.

A strong rural economy is vital to the well-being of our nation. The Resource Conservation and Development program is the only program aimed at doing important things for small towns and rural areas.

We, the Arkansas River Valley RC&D Council, strongly urge you to support continued funding, at a reasonable level, of the Resource Conservation and Development program, with the provision that none of the funds are to be used to phase out the program. This will allow progress to continue in resource conservation and development.

PREPARED STATEMENT OF JACK A. BARNETT

EXECUTIVE DIRECTOR

COLORADO RIVER BASIN SALINITY CONTROL FORUM

In favor of FY 1983 appropriations of: (1) $4,200,000 to ASCS for cost-sharing with onfarm salinity control work in the Colorado River Basin; (2) $1,025,000 to SCS for technical assistance, monitoring and evaluation, and Basin studies; (3) $650,000 to ARS for research, education and demonstration work; and (4) $330,000 to ES for educational support; and (5) $550,000 for Cooperative State Research Service.

* * * * * * * * * * * * * * *

The Forum is composed of representatives, appointed by the governors, from the seven Basin states of Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming. The objective of the Forum is to provide a basinwide coordinated approach to controlling salinity concentrations of the River at acceptable levels while the states continue to develop their compact apportioned waters. Most of the members of the Forum are from the water resource and water quality agencies of the state governments. A list of the members is attached as Appendix A.

The Forum has presented statements to Congress in the past in support of funding for the Colorado River Basin salinity control program carried out under Title II of P.L. 93-320, the Colorado River Basin Salinity Control Act. In the past, most of the activities in the program were under the leadership of the Secretary of the Interior, now there are very important activities that can, and should, be carried out under the direction of the Secretary of Agriculture. Studies in the Colorado River Basin (since the passage of P.L. 93-320) have shown that onfarm efforts should be equally important as the programs authorized in the Act for the Department of the Interior. They appear to provide some of the most cost effective, short term, salinity control opportunities available in the Basin.

With the realization of the importance of the agricultural portion of the salinity control strategies, the Forum has, and is continuing, in cooperation with the states and members of Congress, to explore ways to amend P.L. 93-320. Authorization for a Colorado River Basin agricultural onfarm salinity control program is needed. Legislation has now been introduced into the Congress (S.B. 2202) and is now being considered. The agriculture portion of the legislation is attached to this testimony as Appendix B. It provides for the authorization to expend approximately $200 million for onfarm salinity control work over a period of eight fiscal years.

In the past, Congress has directed funds to be used from those appropriated for the nationwide Agricultural Conservation Program (ACP). It has been recognized that presently there are not adequate funds in this program to provide the level of systems needed nationwide and to provide the level of funding necessary to attack salinity problems created by agricultural practices in the Colorado River Basin. This year, the seven Colorado River Basin states are again asking this committee to designate specific funds to be appropriated and identified for salinity control work, as they have in the past. However, in anticipation of the passage of legislation sponsored by Basin state senators, we suggest funds be designated by this committee which can also be used by the Department of Agriculture, in a manner consistent with the authority that the amended legislation will give the Department.

The Department of Agriculture has been cooperating with the Bureau of Reclamation, Environmental Protection Agency, other Federal agencies, state agencies, and local agencies in the investigation of salt sources in the Basin which originate from irrigated agriculture. These salt contributions are due primarily to irrigation of lands which are underlain by saline geologic formations such as the Mancos shale. As a result of these studies, Congress directed the Department of Agriculture to initiate an onfarm improvement program in FY 1979 for salinity control in the Grand Valley of Colorado. In FY 1980, this was expanded to the Uinta Basin of Utah.

The onfarm program of the Department of Agriculture is designed to reduce the salt load through improved irrigation systems and onfarm water management. It includes the installation of irrigation pipelines, lining of farmers' head ditches, installation of automated gated pipe, land leveling, and the use of drip and sprinkler irrigation on selected areas. These onfarm practices appear to be very cost effective means of salinity control.

In Fiscal Years 1979, 1980, 1981, and 1982, the seven Basin states, through the Colorado River Basin Salinity Control Forum, sought increases in the Department of Agriculture budget for onfarm salinity control activities. The Congress has seen fit to recommend that the ASCS allocate $1.7 million in 1979, $3.7 million in 1980, $4.0 million in 1981, and $3.7 million in 1982, of its on-going ACP fund for this activity. A coordinated level of funding was provided for technical assistance by the Soil Conservation Service and research by the ARS.

With the funds made available by Congress in the past, the programs in the Grand Valley of Colorado and the Uinta Basin of Utah have begun. Experience has been gained and personnel have been trained and are in place ready to implement the expanded program that is necessary to meet the salinity standards on the Colorado River. It is, therefore, alarming to learn that the administration, this year, is recommending a cut in the combined funding made available to the ACP, Forestry Incentives Program, and Water Bank from approximately $210,000,000 in FY 1982 to only $50,000,000 in FY 1983. We have been advised that could translate to a cut for the salinity control effort from the $3.7 million that the Congress provided in FY 1982 to $250,000 in FY 1983. A cut of this magnitude would be very disruptive to the already initiated salinity control efforts. It would result in the loss of experienced personnel and expensive personnel moves. It would impair the ability of the Department to move ahead as funds are provided to implement the program as outlined in S.B. 2202. It would also probably mean a termination of the monitoring program that is now in place to verify the effectiveness of the work to date.

In Grand Valley, SCS has estimated that approximately 230,000 tons per year reduction in salt tonnage can be achieved through implementing the 10-year irrigation improvement program on some 48,000 acres. Off-farm lateral improvements related to the onfarm work account for 100,000 tons of the 230,000 tons. Onfarm programs in the Uinta Basin of Utah and the Lower Gunnison and Moapa Valley areas of Colorado also look very promising.

The seven Colorado River Basin states are convinced that the onfarm and related salinity control measures are a very important part of the Colorado River Basin salinity control program, and should continue to be funded and implemented as expeditiously as possible so water quality standards can be met while water resources of the Colorado River Basin continue to be developed and utilized in the most efficient manner. Therefore, the Basin states request that for FY 1983, $4,200,000 of the ACP funds be stipulated for use in continuing the cost sharing program for salinity control in the Colorado River Basin; $1,025,000 for SCS to provide technical assistance to participating farmers in the two designated areas for monitoring and evaluation work and for Basin studies; $650,000 for the ARS for research, education, and demonstration; $330,000 to the Extension Service for extension education activities; and $550,000 for Cooperative State Research Service.

Although these dollar amounts are substantially less than the monies needed to keep pace with the program, these funds will at least be sufficient to continue the program and maintain continuity. Efficient control of salinity from agricultural sources requires that onfarm salinity control measures continue.

Eight years of research has now indicated to us that the objective of controlling the salinity concentrations of the River at acceptable levels while the states continue to develop their compact apportioned waters cannot be met unless a significant onfarm program is implemented. We are excited about the opportunities these onfarm strategies provide. They afford not only water quality protection for downstream water users, but an opportunity for upstream irrigators to improve their farming practices, reduce soil erosion, improve soil chemistry, increase irrigation efficiencies, reduce required onfarm labor, and increase productivity.

The experience of the last three years has demonstrated that upstream irrigators are anxious to cooperate in the cost sharing programs implemented. In fact, the request for participation in the program far exceeds the dollar availabiltiy.

Implementation of this program will not only enhance the irrigation efficiencies of upstream water users, but downstream irrigators will be significantly benefited by improved water qualities. Improved water quality will reduce salinity problems in downstream soils. Also, millions of water users that use the Colorado River water for municipal and industrial purposes will reap the benefits of improved water qualities.

On behalf of the Colorado River Basin Salinity Control Forum, I thank you for the opportunity to present this statement.

APPENDIX A

COLORADO RIVER BASIN SALINITY CONTROL FORUM

Members

ARIZONA:

Wesley Steiner, Director
Department of Water Resources

Ronald L. Miller, PhD, Chief
Bureau of Water Quality Control

Stewart Udall
Attorney at Law

CALIFORNIA:

Walter G. Pettit, Chief, Technical Services Division
State Water Resources Control Board

Myron B. Holburt, Chief Engineer
Colorado River Board of California

COLORADO:

D. Monte Pascoe, Executive Director
Depatment of Natural Resources

David Robbins
Attorney at Law

Dr. Frank Traylor, Executive Director
Department of Health

NEVADA:

Duane R. Sudweeks, Director
Colorado River Commission of Nevada

Lewis H. Dodgion, Administrator
Division of Environmental Protection

Roland D. Westergard, Director
Department of Conservation and Natural Resources

NEW MEXICO:

Stephen E. Reynolds
State Engineer

UTAH:

Calvin K. Sudweeks, Director
Bureau of Water Pollution Control

Daniel F. Lawrence, Director
Division of Water Resources

WYOMING:

George L. Christopulos
State Engineer

William L. Garland, Administrator
Water Quality Division

APPENDIX B

AGRICULTURE PORTION OF S.B. 2202

"(c) On-farm Programs. The Secretary of Agriculture is authorized and directed to establish as described herein a voluntary cooperative program with private landowners to improve on-farm water management and reduce watershed erosion on non-Federal lands and on lands under the control of the Department of Agriculture for the purpose of assisting in meeting the objectives of this Title.

"(1) Program Elements: In carrying out the program, the Secretary of Agriculture shall:

"(a) Identify salt-source areas and determine the salt load resulting from irrigation and watershed management practices;

"(b) Develop, in consultation with the public and affected governmental interests, plans for implementing measures that will reduce the salt load of the Colorado River by improving on-farm irrigation water management including improvement of related laterals and by improving watershed erosion management practices, such measures to include replacement of incidental wildlife values in the manner described in Section 202 (b)(4) of this Title;

"(c) Provide technical and cost-sharing assistance for the voluntary implementation of plans through contracts and agreements with individuals or groups of owners and operators of farms, ranches, and other lands as well as with local governmental and non-governmental entities such as irrigation districts and canal companies; Provided, That a portion of the costs of implementing such plans shall be shared by the participants on the basis of benefits received and other appropriate factors, as determined by the Secretary of Agriculture; and, Provided, further, That such contracts and agreements shall provide for continuing operation and maintenance of measures installed under 202(c) of this section;

"(d) Provide continuing technical assistance for irrigation water management as well as monitoring and evaluation of changes in salt contributions to the Colorado River to determine program effectiveness.

"(e) Carry out of related research, demonstration, and education activities.

"(2) Preparation, Submittal, and Approval of Reports: The measures to be implemented in any particular salt source area shall be described in reports issued by the Secretary of Agriculture. Copies of the reports are to be submitted to: (a) committees of the Congress having jurisdiction over programs of the Department of Agriculture, (b) members of the Advisory Council established by Section 204(a) of this Title, and (c) the Governor of any State where measures are to be implemented. No funds for implementation of proposed measures undertaken pursuant to Section 202(c) shall be expended until the expiration of 60 days after submission of the report of the Secretary of Agriculture, and not then if such report is disapproved by either of: the receiving committees of the Congress, the involved Governor, or the Advisory Council. Measures included in any report shall be programmed for completion within 10 years unless a longer period is concurred in by the Advisory Council.

"(3) Administrative Provisions: The Secretary of Agriculture shall use existing agencies, as well as the Commodity Credit Corporation, to carry out the provisions of this Title. There is hereby authorized to be appropriated and expended, based on April 1981 prices, plus or minus such amounts as may be justified by reason of ordinary fluctuations in construction cost involved therein, to carry out the provisions of Section 202(c) of this Title, the following annual amounts: fiscal year 1982 - $5.8 million; fiscal year 1983 - $12.7 million; fiscal year 1984 - $21.5 million; fiscal year 1985 - $28.6 million; fiscal year 1986 - $31.7 million; fiscal year 1987 -

$35.0 million; fiscal year 1988 - $35.0 million; fiscal year 1989 - $29.8 million; plus such additional sums as Congress in the future may authorize to be appropriated; provided that such sums as have been or shall be appropriated shall remain available until expended.

"(4) Operation and Maintenance of Completed Measures Precluded. The Secretary of Agriculture is precluded from assuming continuing operation and maintenance obligations for permanent salinity control measures constructed on non-Federal lands pursuant to this Title.".

ENVIRONMENTAL POLICY CENTER

PREPARED STATEMENT OF DR. BRENT BLACKWELDER

The Environmental Policy Center is a national conservation organization which specializes in energy, water and agricultural issues. We appreciate the opportunity to testify. This testimony focuses on the budget for the Soil Conservation Service.

It is widely recognized that erosion rates exceed acceptable levels on one-quarter of America's farmland. Some argue that erosion is worse now than in the Dust Bowl days. Given the serious nature of the erosion problem, it is clear that we cannot simply continue past programs and policies and think that the job will be done. New direction is needed.

The Soil Conservation Service has been devoting a disproportionate amount of its time and money into activities which do not control erosion or sedimentation. The preponderance of the PL 566 program has been for purposes other than erosion control. PL 566 projects are justified on the grounds of drainage, flood control (as distinct from erosion control), recreation and intensified land use. Two watershed projects, on which final environmental impact statements were filed last year, were justified primarily on the grounds of recreational benefits which made up more than 50% of the total benefits in each case. The two projects are the Upper Big Blue River Watershed and the Middle Fork of Anderson River Watershed, both in Indiana.

Small watershed dams do not stop erosion. Erosion is a function of the type of farming practices, urban land use, etc. in the watershed. While there may be no environmental problems with various small watershed dams, spending large amounts of money on them uses up scarce dollars which should go directly in erosion control practices. Stream channelization, snagging and clearing, and so-called stream improvements actually can aggravate erosion and sedimentation as streambanks are stripped of vegetation and shade cover. The emphasis on drainage and putting more land into production or farming existing land more intensively runs at cross purposes with other price support and set aside programs. In the PL 566 program soil erosion control is placed at the bottom and other objectives are given priority. We believe that this puts the priorities backwards: control of erosion should be at the top.

Because erosion control has been given the lowest priority in the PL 566 program, we fully support the Administration's recommended cutback in funding from a level of $164 million in 1982 to a level of $90.8 million in 1983. The Environmental Policy Center is prepared to give full support for erosion control programs, but unless a dramatic change is made in the PL 566 program, we see this as a diversion of funds that could better be spent elsewhere.

To encourage better soil conservation practices, the National Association of Conservation Districts has supported a "green ticket" approach in which recognition is given to farmers who have good land use practices. This program would be voluntary. While it will help, the voluntary approach has not worked to date. It is time to go further and ask for a quid pro quo. We support the so-called cross-compliance approach in which farmers would have to have good soil conservation practices in order to qualify for other federal agricultural programs such as price supports. If the Federal Government is going to be providing aid to farmers, as we think it should, then requiring good soil stewardship is surely a reasonable request. The long-range productivity of our land depends on taking care of the soil. Taxpayers should not be paying those farmers or corporations who are abusing the land.

The Environmental Policy Center strongly supports the stream cleaning techniques developed by George Palmiter of Ohio, who has won a Rockefeller Distinguished Public Service award and an award from Outdoor Life magazine for pioneering methods of preventing streambank erosion and removing logjams and obstacles in an environmentally sensitive manner. Palmiter's low-cost methods are needed now more than ever, but the Soil Conservation Service has shown little interest in his work. The Army Corps of Engineers, however, has proceeded to develop three slide shows on his techniques and a handbook on George Palmiter River Restoration Techniques. We urge the Committee to give support to these methods of cleaning a stream of debris, reducing streambank erosion, and improving flood control.

In conclusion, we wish to submit for the record material which documents the failure of the Rural Electric Administration to move forward in the area of energy conservation and efficiency improvements. We believe that REA co-ops still need the assistance of the Federal Government in the credit market and that they still should have access to government-backed loan guarantees through the Federal Financing Bank, but such continued access and federal assistance must be strictly conditioned on the achievement of reductions in electric energy demand through energy efficiency programs.

PREPARED STATEMENT OF JACK DOYLE

Washington Representative

ENVIRONMENTAL POLICY CENTER

Rural electric cooperatives are found in at least 200 congressional districts in 46 states. Collectively, some 1,000 REA-supported co-ops comprise the nation's single largest electric distribution system. Their service territories cover 75% of the land area of the U.S.

Once a progressive, grass roots movement that transformed rural America by bringing cheap, reliable electric service to even the most isolated rural community, REA co-ops today have failed badly on the energy conservation front.

Since the Arab oil embargo, REA loans and loan guarantees for electric distribution lines, high-voltage transmission lines and powerplants have totaled more than $30 billion. However, REA loans for energy conservation and home weatherization during that same period have totaled no more than $4 million, or about .014% of total REA financing during that period. A pretty poor showing for 7 years and a system that services 8 million REA families, or 25 million consumers.

Even assuming an energy conservation expenditure of $30 million by all REA co-ops, the "conservation share" then rises to a mere .1% of all REA financing since the Arab oil embargo. In any event, within the REA system, there is a very wide gap between "electric growth" expenditures and "energy conservation" expenditures, and this has resulted in very large demands on federal borrowing.

While REA and some local cooperatives have moved forward in good faith to try to improve the co-ops' energy conservation record, REA energy conservation programs have generally failed for three reasons: 1) they are not mandatory, 2) they are not tied to clear energy conservation goals (such as specifically targeted 5 and 10 year plans), and 3) they are aimed at the wrong level--some 950 local co-ops rather than the 50 to 60 "G&T co-ops" (i.e., generating and transmission cooperatives who build powerplants and account for the lion's share of REA financing, $5-6 billion annually).

In order to improve REA's energy conservation record, Section 306 of the Rural Electrification Act of 1936 needs to be amended in Title XV of the farm bill, H.R. 3603. An energy conservation amendment aimed at G&T co-ops, with clearly stipulated energy conservation goals, and required as a condition of continued access to the Federal Financing Bank for loan guarantees, would have the effect of co-ordinating local co-op conservation programs throughout the nation, while reducing the amount of off-budget financing needed for new REA powerplants. In

May 1980 testimony before the Senate Subcommittee on Agricultural Credit and Rural Electrification, former REA Administrator Robert Feragen presented a table which showed that the difference in financing requirements for a 1% growth rate and a 9% growth rate in the REA system during the 1980-1989 period would be $76.2 billion (in constant dollars). Using Feragen's table, and assuming an installed capacity cost of $1,200 per KW, the difference between a 3% and a 6% growth rate is roughly 16,000 MW, or about $25 billion in financing costs for the 1980-1989 period. Such differences--made possible through an energy conservation requirement aimed at the G&Ts--could result in significant savings in federal credit outlays.

The Environmental Policy Center believes that REA co-ops still need the assistance of the Federal government in the credit market, and that co-ops should still have access to government-backed loan guarantees through the Federal Financing Bank (FFB). However, such continued access and federal assistance must be strictly conditioned on the achievement of reductions in electric energy demand through energy conservation programs.

It is not out of the question, for example, that each G&T system be required to achieve a 1% annual reduction in electric demand throughout its system as a condition of REA loan guarantee eligibility. REA power supply borrowers ("G&Ts") could be required to reduce electric demand by 1% a year throughout their supply area and among their local distribution cooperatives during the amoritization period of any loan guarantee secured through the Federal Financing Bank of the U.S. Treasury.

Such a requirement would help coordinate local co-op energy conservation programs within G&T systems, would promote jobs in home weatherization and other energy conservation businesses throughout rural America, and would help reduce the amount of off-budget federal borrowing needed by REA to finance new powerplant construction. A 1% annual reduction in electric demand by G&T systems would save millions of credit dollars in federal borrowing, "freeing up" such federal borrowing for housing, agriculture and small businesses.

It is certainly in the nation's best interest, and in the interest of reducing the amount of federal borrowing currently taking place in the nation's credit market, that only the most efficient and most important federal borrowing be continued. Through properly directed energy conservation programs, REA cooperatives can reduce the amount of federal financing they will need during the next 10 years and beyond.

The Environmental Policy Center therefore urges you to support an REA energy conservation amendment in the 1981 farm bill that saves both energy and money.

REA ENERGY CONSERVATION INITIATIVES SINCE THE ARAB OIL EMBARGO

	RHETORIC Stated Government Policy and/or REA Programs	REALITY Actual Spending (REA Loans & Loan Guarantees, $ Millions)	
1974	"Project Independence" announced "REA borrowers are making every effort to adopt rates that will promote the conservation of energy..." REA, Report of the Administrator	Electric Distribution:	$ 618.6
		Powerlines & Power Plants:	$ 974.4
		Energy Conservation:	$ 0
1975	Energy Policy and Conservation Act of 1975 enacted.	Electric Distribution:	$ 700.0
		Powerlines & Power Plants:	$ 1,206.3
		Energy Conservation:	$ 0
1976	"Because of changes that have occurred in energy availability and price, REA has been making special efforts to keep its borrowers informed of electric energy conservation measures..." REA, Report of the Administrator	Electric Distribution:	$ 750.0
		Powerlines & Power Plants:	$ 1,241.5
		Energy Conservation:	$ 0

1977

Carter Administration announces National Energy Plan.

REA Energy Conservation Committee established.

USDA announces Joint FmHA-REA Home Weatherization Loan Program in February.

Electric Distribution: $ 850.0

Powerlines & Power Plants: $ 3,985.5

Energy Conservation: $ 0.048

REA survey reveals less than 10% of co-ops have energy conservation policy.

1978

"...aggressive, locally developed and consumer-oriented energy conservation programs will soon become a factor in determining the eligibility of a rural electric distribution co-operative for a loan or loan guarantee..."

USDA News
August 1978

Electric Distribution: $ 900.0

Powerlines & Power Plants: $ 2,309.0

Energy Conservation (REA-FmHA): $ 0.448

REA indicates 235 of 983 co-op systems "have agreements with FmHA to process home weatherization loans."

1979

"Energy conservation programs required in all loan applications from distribution borrowers." (i.e., local co-ops)

Rural Lines USA, REA

Electric Distribution: $ 1,000.0

Powerlines & Power Plants: $ 5,429.7

Energy Conservation (REA-FmHA): $ 0.704

REA-FMHA Weatherization Program: A Failure

> "Some have criticised the REA for not taking the leadership role it ought to assume, and have said that the co-ops have not been getting the conservation job accomplished. In 1977, the Department of Agriculture announced with a great flourish a home weatherization program whose goal was to weatherize 4 million rural homes. To date, fewer than 3,000 have been weatherized. That effort seems more than somewhat puny."

Senator Edward Zorinsky, "REA and Energy Conservation", Hearing Before the Senate Subcommittee on Agricultural Credit and Rural Electrification, May 6, 1980

> "I am sorry to have to admit to the failure of the REA-Farmers Home Administration weatherization program. I think we did not achieve what we had hoped to achieve and what the Department had hoped to achieve. It is not a good record to say that we have only gotten $1,300,000 of weatherization in rural homes.

Robert Feragen, REA Administrator
May 6, 1980

1980

"REA's loan policy effective January 1, 1980, is that borrowers must demonstrate a serious commitment to conservation as a condition of REA loan approval."

Electric Program
Chart Book, REA

REA announces new Section 12 loan deferral weatherization program.

Electric Distribution: $ 925.0

Powerlines & Power Plants: $ 5,660.1

Energy Conservation: $ 0.050

(Section 12 conservation loans)

34 Section 12 weatherization loans were made by REA in 1980.

1981

"NRECA took the leadership in bringing our systems into the conservation age.... It has been tough going from a promotional era to a conservation era; but now, most rural electric cooperatives view conservation and load management programs as important options that help them meet their members' needs."

D.L. Knight, Rural Electrification, February 1981

Electric Distribution:	$ 850.0
Powerlines & Power Plants:	$ 4,994.9
Energy Conservation:	$ 0.903

173 of REA's 983 active co-op borrowers have agreed to participate in Section 12 weatherization program.

As of October 1, 1981, REA has still not established a mandatory energy conservation program with clearly specified goals for achieving reductions in electric energy demand, administered through G & T co-ops.

REA ENERGY CONSERVATION PROGRAMS

		# of Loans	Amount of Loan
REA-FmHA Weatherization	1977	59	$ 48,000
	1978	513	448,000
	1979	796	704,000
	Subtotal	1,368[1]	$1,200,000
Section 12-Energy Resource Conservation Loans	1980	34	50,000
	1981[2]	779	903,000
	Subtotal	813	$ 953,000
	TOTAL	2,181	$2,153,000

Source: U.S. Rural Electrification Administration

1. Only 240 of the 1,368 loans made in this weatherization program were made through REA co-ops.
2. As of August 1981. Although 779 loans have been made by REA co-ops in 1981, there are over 8 million households served by REA co-ops nationwide. Moreover, only 44 co-ops--less than 5% of all REA co-ops--have actually made one or more Section 12 Energy Resource Conservation loans in 1981.

STATES IN WHICH REA CO-OPS HAVE NOT MADE AT LEAST 1 SECTION 12 ENERGY RESOURCE CONSERVATION LOAN

1980-1981

Alabama
Alaska
Arkansas
California
Delaware
Idaho
Illinois
Indiana
Iowa
Kentucky
Maine
Maryland
Michigan
Mississippi
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New York
Oklahoma
Oregon
Pennsylvania
Tennessee
Utah
Vermont
Virginia
West Virginia
Wyoming

Source: U.S. Rural Electrification Administration, as of August 1981.

POWER SUPPLY FINANCING NEEDED BY REA BORROWERS AT VARIOUS LEVELS OF ELECTRIC GROWTH

Annual Load Growth, 1980-89	Percent of Total REA Borrower Needs Supplied by Borrower's Own Generation 1/		MW of Additional Capacity Financed 2/			Billion Dollars of Financing Required					
						Constant (1980) $ 3/			Nominal $ 4/		
			Total	Annual Average		Total	Annual Average		Total	Annual Average	
	1980	1989	1980-89	1980-84	1985-89	1980-89	1980-84	1985-89	1980-89	1980-84	1985-89
1%	36.0	51.7	6,989	835	563	$10.5	$ 1.3	$ 0.8	$$14.6	$ 1.5	$ 1.5
2%	36.0	52.5	9,937	1,081	906	14.9	1.6	1.4	21.2	1.9	2.3
3%	36.0	53.7	13,796	1,393	1,366	20.7	2.1	2.0	29.9	2.5	3.5
4%	36.0	54.4	18,518	1,759	1,944	27.8	2.6	2.9	40.6	3.1	5.0
6%	36.0	55.8	30,572	2,638	3,477	45.9	4.0	5.2	68.2	4.6	9.0
8%	36.0	57.2	46,631	3,759	5,567	69.9	5.6	8.4	106.1	6.6	14.4
9%	36.0	57.8	57,830	4,446	7,120	86.7	6.7	10.7	131.2	7.8	18.4

Assumptions: 1/ REA's best judgement concerning source of future power supply for REA borrowers.

2/ 50% load factor; a four year lead time between loan approval and on line dates; reserves equal 20% of required capacity.

3/ 1980 cost per KW of $1,200 plus financing for bulk transmission facilities in an amount equal to 25% of generating plant investment.

4/ Constant (1980) $ inflated at an annual rate of 8%.

Note: MW = one thousand Kilowatts of capacity.

Source: Robert W. Feragen, Hearing Before the Subcommittee on Agricultural Credit and Rural Electrification, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, May 6, 1980.

PREPARED STATEMENT OF PAT H. SAUBLE
CHAIRMAN
FLINT HILLS, KANS., R. C. & D. AREA COUNCIL

I appreciate the opportunity to submit a written testimony supporting the adoption of a viable operating budget for the Resource Conservation and Development Program.

I am Pat Sauble, Chairman of the Flint Hills Resource Conservation and Development Area Council in east-central Kansas. Our Resource Conservation and Development Area is made up of four counties--Chase, Lyon, Marion and Morris--and it is on behalf of the Flint Hills RC&D Council that I am presenting this testimony.

The Flint Hills RC&D objectives are viable and realistic, and are needed. However, they cannot be achieved without adequate financial and technical assistance provided through the RC&D Program. In support of this statement, I offer the following:

(1) The Elmdale RC&D Group Drainage and Flood Prevention Measure in Chase County, Kansas, was completed in June 1978. Drainage outlets were provided for 807 acres of farmland benefiting at least twelve landowners. The town of Elmdale, located at the north edge of the drainage district, also receives direct benefits from this completed measure. Several attempts to accomplish this had failed over a period of twenty-five years, and it would not have been achieved without RC&D.

(2) Two watershed district boards are actively involved with our RC&D Council to complete watershed construction. Both watersheds are feasible and will protect 50,000 acres of agricultural land from flood damages. We cannot provide the help necessary to complete these approved projects without sufficient RC&D funds.

(3) The Flint Hills RC&D Council is also involved in reducing the erosion on critical areas of rangeland. A budget of $40,000 annually is needed to complete this work.

In view of these RC&D activities and others, I request your support of a budget appropriation of $50 million for the RC&D program in 1983. This program was given Congressional authority under the 1981 Farm Bill but we need the funds to develop and utilize our natural resources.

Thank you.

PREPARED STATEMENT OF HARRY JACOBS

FLORISTS' TRANSWORLD DELIVERY ASSOCIATION

I am Harry Jacobs, a retail florist in Jackson, Mississippi, where my business is known as Greenbrook Flowers. I am submitting this statement on behalf of Florists' Transworld Delivery Association of Southfield, Michigan, at the request of the officers and board of directors of F.T.D., as our organization is generally known.

F.T.D. is a non-profit, member-owned cooperative providing marketing and related services required by our nearly 19,000 members in the U.S. This statement pertains only to the portion of ornamental crop production and distribution that is identified as commercial floriculture. This term encompasses fresh flowers, cut foliage, flowering and foliage plants, and bedding plant crops. The value of these crops is now about $1 billion at the wholesale level, and nearly $6 billion at the retail level.

As this committee knows, F.T.D. has testified a number of times when it appeared that programs on which we have worked closely with the Department of Agriculture were threatened for budgetary reasons. As in some previous years, our concerns are primarily directed to crop estimating and reporting on floriculture crops, which is available to us in the annual SRS report entitled "Floriculture Crops," and market news reports on ornamental crops in major terminal (wholesale) and grower-shipper markets.

To be as brief as possible, the USDA announced on March 10 that the floriculture crop report is among a list of 26 reports to be eliminated for budgetary reasons by SRS at the end of this fiscal year.

This report, which F.T.D. and other industry organizations have strongly supported for nearly 20 years is still the only source of benchmark data of its kind available to us. We hope that some way can be found to continue this report by maintaining the necessary appropriation. It is particularly important at this time because of the highly relevant data about to become available from the 1979 Special Census of Horticultural Crops conducted by the Bureau of the Census. "Floriculture Crops" is the year-to-year component of this data base.

Our second concern is market news reporting on ornamental crops handled by the Fruit and Vegetable Division of the Agricultural Marketing Service. Budget cuts have resulted in a decision by the AMS to place reports for ornamental crops and fruit and vegetables on a user fee basis. This may or may not be a sound basis for operation of these basic marketing reports, and for the moment we would reserve comment. There is also the threat that some key offices may be closed entirely.

Of much greater significance is the possibility that market news reporting could be computerized at small cost and with a potential saving over time of substantial proportions in the operation of these programs. In total, market reporters in more than 200 offices (including fruits, vegetables and ornamentals) gather information on a regular basis on supply, demand, prices, and movement of agricultural products. The information is then disseminated in written form to farmers, marketers, investors, financial interests and media outlets. This information is universally regarded as essential to orderly marketing of these commodities.

It appears that if this important marketing tool is to be maintained, modernization through the use of computers is the answer. F.T.D. is especially well situated to take advantage of such a system because of its own computerized marketing system known as the Mercury Network. Many F.T.D. members are already on the system, which is based on a Univac located in Chicago, for the interchange of intercity orders. There is no reason that up-to-the-minute marketing data could not be distributed via the Mercury Network by interfacing USDA computers with Mercury. Reports could include, in highly readable form, commodity prices, production, shipping areas, terminal markets, transportation data, weather conditions, import statistics, and other useful and relevant data.

The United Fresh Fruit and Vegetable Association, with which we work closely in market news matters has estimated that start-up costs for this system would be about $300,000 with savings overall in subsequent years (over the present system) of about $350,000. Not only is the cost effectiveness of modernizing this information network obvious, there are important non-fiscal considerations. They include the possibility that even at reduced budget levels, AMS would be able to keep more field offices in operation; that skilled and trained market reporters could be retained; and that information could be generated by a method that eliminates the printing and mailing costs that are such a burden in the present system.

F.T.D. urges that the committee explore this cost-saving alternative with the USDA. We believe it is highly feasible, and that it would solve a number of problems that seem to exist at this time with regard to maintenance of this very valuable information service. Marketing information would thus continue to be provided, as it must be, by a reliable, independent, third party source. We cannot believe that it is the intention of anyone to eliminate such an important marketing tool either for sheer budgetary reasons or by making its utilization so difficult that the end result is the same.

We ask that this statement be made a part of the record of the subcommittee's hearings on fiscal year 1983 appropriations for the U.S. Department of Agriculture. We would be pleased to submit further information desired by the committee as to F.T.D.'s utilization of this information for the benefit of the entire floriculture industry.

PREPARED STATEMENT OF FRANK KUDRNA
DIRECTOR
ILLINOIS DEPARTMENT OF TRANSPORTATION

The State of Illinois has an excellent working relationship with the Soil Conservation Service. While the Illinois Department of Agriculture is the lead state agency in dealing with the Soil Conservation Service, the Illinois Department of Transportation cooperates with the Soil Conservation Service in River Basin Studies and Watershed Projects. Through a cooperative agreement, the Soil Conservation Service is assisting us in evaluating the seriousness of flood problems throughout the state so we can set priorities for detailed planning and implementation.

The Department of Transportation, along with other governmental entities in northeastern Illinois, has been actively involved in the Chicago Metropolitan Area River Basin Study. We are one of the local sponsors for the Little Calumet Watershed Project, and have been providing funds to help Soil Conservation Service staff develop work plans for this watershed and others in the area.

The Little Calumet plan has resulted from a cooperative planning effort between the Soil Conservation Service, seven local project sponsors, and a local steering committee comprised of area citizens and local governmental officials. These local sponsors have committed themselves to expending 11.5 million dollars in local sponsorship costs. To date, almost 4 million dollars have been expended by the Metropolitan

Sanitary District of Greater Chicago for acquisition of reservoir sites. The State of Illinois, through the Division of Water Resources, has committed itself to an approximate one million dollars in land acquisition expenditures as well as other additional costs required for implementation of the project.

This plan, when implemented, will eliminate the serious flooding of 6,866 homes and 142 businesses which now suffer estimated losses in flood damages amounting to 3.35 million dollars annually.

In order to eliminate these serious flood damages in a timely manner and maintain the high level of local sponsorship commitment, the Little Calumet Watershed Plan must move forward to Congress for authorization.

Last June the Little Calumet Watershed was subjected to a severe rainstorm. The resultant flooding caused one drowning, evacuation of hundreds of homes, and closing of a major expressway. The estimated economic damage was nearly $65 million. Both state and Federal disaster declaration were made. • If the proposed Soil Conservation Service Watershed Project had been in place, much of this suffering and damage would have been averted.

In reviewing the President's budget, we were pleased to see that the River Basin Program is being continued with a slight increase in funding. We are very concerned that the Small Watershed Program has no new construction starts, and that the funding is being drastically reduced. These types of actions will either foreclose or significantly delay implementation of highly beneficial and much needed projects such as the Little Calumet Watershed and others developed from the Chicago Metropolitan Area River Basin Study.

We, therefore, request that the Small Watershed Program be funded at least at the level provided in FY 1982 and that new construction starts be permitted so projects like the Little Calumet Watershed may be implemented.

PREPARED STATEMENT OF CLINTON LUNDQUIST

PRESIDENT

KANSAS ASSOCIATION OF CONSERVATION DISTRICTS

I am Clinton Lundquist of Lindsborg, Kansas, President of the Kansas Association of Conservation Districts. Also with me today are Bob Edwards, Vice President of our Kansas association, and Harold Johnson, Chairman of the State Conservation Commission. We represent 525 supervisors who govern our 105 conservation districts, and about 100,000 cooperators covering the entire state of Kansas.

We commend Congress for the positive actions on soil and water conservation as contained in the new Farm Bill.

We also wish to express our appreciation for the support your committee has given soil and water conservation programs in the past, and present a few of our concerns about the 1983 budget.

The Soil and Water Resources Conservation Act of 1977 (RCA) has provided us an excellent opportunity to go out and ask people how they feel about soil and water conservation concerns and programs.

We conducted 221 public meetings in Kansas and heard from nearly 5,000 people. During the past two months, we heard from nearly 2,000 people concerning the Secretary's Preferred Program. The report of their comments is now being prepared. Mr. Chairman, we are finding that Kansas people are ready and willing to carry out conservation programs through a partnership between the government and landowners. A recent nationwide Louis Harris poll also revealed "similar" support for soil and water conservation programs by people from all walks of life. This did surprise some people, but not us; we knew all along there was support in Kansas.

While we are encouraged by the public support, we are also concerned about certain aspects of the proposed 1983 budget.

The Administration shows an increase in the Soil Conservation Service Conservation Operations budget of about 24 million dollars over the 1982 estimate. This would appear to be an increase in the operations of SCS; however, that amount would not cover the increased costs due to inflation, pay act costs, make up for our continued losses in recent years, and would, therefore, result in a loss of conservation technical assistance to conservation districts. We urge an appropriation that will provide for a 389 million dollar level of activity plus one additional technical position per conservation district. We also recommend a 100 million dollar line item in the Soil Conservation Service budget for grants to conservation districts instead of the mere 10 million dollars recommended by the Administration. This would provide sufficient funds to make a true test of Title XV, Subtitle D, Grants Program, in the recent Farm Bill. Mr. Chairman, I hasten to point out that these grants are to augment rather than replace other technical and financial assistance programs of USDA.

Controlling floods on over 2 million acres of highly productive cropland is a major public concern in Kansas. We have a backlog of 26 unserviced watershed applications. We recommend that planning funds and new starts be restored to the 1980 level and that Congress gain control of construction start restraints now being administered by the Office of Management and Budget. We need to start construction in Wet Walnuts #1, 2, 3, and 4, Middle Creek, Dry Creek, and Peyton Creek Watersheds. Local people already have made sizeable contributions and commitments in all of these projects. Construction funds for 1983 need to be around the 200 million dollar level rather than the 92.9 million dollar level proposed by the Administration.

We continue to be concerned over the efforts to strangle the Resource Conservation and Development Program from both the budget and program aspects. We were overjoyed by the actions (Title XV, Subtitle H) of the Farm Bill to finally put the RC&D program on sound legislative footing. That joy was short-lived, however, as the Administration's budget proposes only 10.3 million dollars for fiscal year 1983, a phase-out level. We agree with the National Association of Conservation Districts' action that RC&D should be funded at the 50 million dollar level. This is still one of the best rural development programs we have in the country. It brings local people together. They recognize, discuss and find solutions to the problems in their areas. We contend that it is the most effective, valuable and most inexpensive kind of democratic government known.

Cost-share programs have suffered badly over the past decade. The Agricultural Conservation Program (ACP)administered by the Agricultural Stabilization and Conservation Service and the Great Plains Conservation Program administered by the Soil Conservation Service are extremely important programs in Kansas to help conserve and protect our vital cropland and rangeland resources. Funds for both of these programs are not meeting the demands and needs. We have over a 1 million dollar backlog in Great Plains contracts in Kansas. Several counties in Kansas are out of ACP funds and we are only in the fifth month of the appropriations.

Badly needed conservation work is being delayed. I feel the National Association of Conservation Districts' budget proposal for the Agricultural Stabilization and Conservation Service cost-share programs at 250 million dollars and for the Great Plains Conservation Program at 50 million dollars is sound and reasonable.

Another area of concern is the funding of the Rural Abandoned Mine Program, and we support the National Association of Conservation Districts' budget proposal at the 40 million dollar level. The 5.3 million dollar budget for the current year is a phase-out level. We sincerely hope the Congress will act favorably on a supplemental appropriation for 1982 to keep this important program going.

Mr. Chairman, these are our major areas of concern at this time. I fully realize and understand that the 1983 budget must be carefully scrutinized and be in line with our national priorities and objectives; however, I must also point out that our soil and water resources are vital to sound economic progress and stability in the country. Soil and water conservation must receive a higher national priority in the years to come.

Again, we thank you and urge that this committee continue its support for our conservation programs.

PREPARED STATEMENT OF ALBERT DUNBAR
PRESIDENT

LAKE REGION R. C. & D. COUNCIL

This is to advise you, that as members of the Lake Region RC&D Council, we join other RC&D areas across the country to express concern over the proposed 1983 program budget, and request your support and assistance to restore the proposed 1983 budget to at least the present level, and strongly urge you and your colleagues to follow recommendations of the National Association of Conservation Districts and plan for a future budget of $50 million to adequately carry out the RC&D program.

It is apparent from all previous studies that RC&D has strong "grass roots" support and could be one of the best rural development programs devised if adequately funded. I'm confident you will do your best to carry on the program as intended in the recent Farm Bill. Thank you for your assistance and support.

I would appreciate being advised of new and important developments regarding the 1983 RC&D budget. Thank you.

PREPARED STATEMENT OF ROBERT B. MURRAY

CHAIRMAN, BOARD OF DIRECTORS

LITTLE KANAWHA R. C. & D. PROJECT, INC.

The Little Kanawha RC&D Area is concerned with the Administrations' proposed budget for the USDA Soil Conservation Service, and more specifically the Resource Conservation and Development Program (RC&D).

The proposed RC&D 10.3 million dollar budget with phase-out language is very disturbing since the Administration is exploring ways to develop a Rural Development Program.

Working with local sponsoring Soil Conservation Districts and County Commissions, RC&D has been one of the most efficient and effective locally run Rural Development Programs yet devised.

We feel RC&D has been a successful Rural Development delivery system in spite of past budget cuts for funding eligible financially assisted RC&D measures. Also, past budget cuts have eliminated RC&D forestry technical assistance and our RC&D Cooperative Extension Specialist. The Extension Specialist was active on non-eligible cost sharing activities including educational measures. His input in leadership development provided people working on RC&D Committees to be more effective in the local decision making process.

Attached please find a copy of our 1981 Annual Report and our FY 1982 Annual Plan of Work.

RC&D has demonstrated its effectiveness during the past several years. If continued, it can help to carry on with the Rural Development efforts as spelled out in the 1981 Farm Bill (P.L. 97-98) Sub Title H, Title XV.

Your assistance is needed to delete the phase-out language in the Administration's Budget and to have $60 million funded for RC&D operations.

Please include the attached copies as testimony for your hearings.

Thanking you in advance,

Highlights of Measure

Interest in the development of Blennerhassett Island for public benefit had been sporadic and unorganized since the 1920's. The 500 acre island is located in the Ohio River three miles downstream from Parkersburg, West Virginia.

During 1971 the Tourism and Beautification Committee of the Little Kanawha Resource Conservation and Development Area (RC&D) organized a Blennerhassett Island RC&D Sub-committee consisting of 37 members. The membership included persons from varied interests such as historic, cultural, and recreation and wildlife. Advisory members for the committee included representatives from Soil Conservation Service, RC&D, U. S. Army Corps of Engineers, West Virginia Department of Natural Resources, and Cooperative Extension Service.

They proposed a development plan which was used by the West Virginia Legislature, Governor's Office, and private consultants in making the Island Development Master Plan.

The committee was also successful in getting the Island on the National Register of Historic Places in September 1972. This made the Island eligible for historic preservation funding.

One has to be appraised of the Island's significance in culture and history to realize the impact the Island had and will continue to have on the past, present and future generations.

The beginning of human habitation on Blennerhassett Island is lost in the mists of time. Archeological excavations revealed it was the home of Indians as early as 12,000 B.C. with artifacts of their making uncovered.

The Island's recorded history began when an Indian trader mentioned it in his journal in 1765. The next year a passing traveler noted that the Delaware Indian Chief, Nemacolin, had a cabin on the Island.

As early as 1773, white squatters lived on the Island, and it was permanently settled in 1785. Shortly afterwards there began the last of the Indian wars which convulsed the region until 1795. During these dangerous years a number of settlers of nearby Belpre, Ohio, moved to the Island and built blockhouses for protection.

One of the bloodiest massacres of the Indian wars occurred in April of 1795 on the Virginia shore when the lone cabin of the John Armstrong family was attacked. Mr. Armstrong fled to the Island seeking help leaving his wife and children behind to be scalped. Shortly after the Armstrong attack, Indians raided the Island but departed without doing any harm.

A new and even more exciting chapter in the Island's history opened in 1798 when Harman and Margaret Blennerhassett, exiled Irish aristocrats, arrived. They had hastily departed Ireland for political and personal reasons -- Harman was Margaret's uncle and their marriage raised family ire.

In an area where most lived in one or two room log cabins, the Blennerhassetts erected a mansion which was considered the most beautiful in the West. Its rooms were filled with fine furniture and paintings, oriental carpets and alabaster lamps, and many were paneled with polished Black Walnut. Near the house was a spendid garden with both exotic and native flowers and shrubs.

People called the Blennerhassett estate a paradise in the wilderness. But it was tragically short-lived. Harman and Margaret became entangled in the ill-fated Aaron Burr expedition to the Southwest (1806-7) which some historians have labeled as treasonous. The local Virginia Militia invaded the Island in search of Burr and the Blennerhassetts causing Harman and Margaret to flee. After the 1807 Burr Treason Trial in Richmond, the Blennerhassetts eventually lost their once large fortune and died in poverty. Their splendid mansion accidentally burned to the ground in 1811.

The most exciting chapter of its history over, Blennerhassett Island led a sleepy existence through the rest of the 19th century. It was divided into farms and in the 1890's and early 1900's, a small private park was developed on the Island attracting as many as 15,000 visitors annually. Gentleman Jim Corbett (Heavyweight Boxing Champion 1892-97) boxed on the Island and the Cincinnati Reds, New York Giants, Brooklyn Dodgers and Pittsburgh Pirates played baseball there. Other famous visitors include George Rogers Clark, King Charles X of France, Henry Clay, Walt Whitman and Johnny Appleseed.

As a result of the Committee's efforts and the significance of the Island, the West Virginia Legislature appropriated $70,000 during 1973 and 1977 for feasibility studies and a development plan for the Island.

The studies concluded the Island was feasible to develop for historic and cultural purposes. The development plan outlined activities such as archeological exploration, reconstruction of the Blennerhassett Mansion and gardens, outdoor drama, colonial farming, transportation by horsedrawn carriages and a wetland wildlife preserve on the lower half of the Island.

The West Virginia Legislature created the Blennerhassett Historical Park Commission during 1975. The Legislature appropriated 2.6 million dollars for the initial development. On September 24, 1977, Governor Rockefeller appointed the Commission members.

A 105-year lease was signed between DuPont, the Island owners, and the State of West Virginia.

Even though Blennerhassett Island is still being developed, activities now available include guided tours, active archeological digs at the Mansion and Indian village sites, picnicking, and several trails.

A museum is being planned on Fort Boreman Hill overlooking the City of Parkersburg, Point Park, and the hill gives a scenic view of the Ohio River and Blennerhassett Island. The 5-million dollar museum will house the Blennerhassett treasures and other historic artifacts of the Mid-Ohio Valley.

Access to the Island is provided by sternwheeler during weekends, May through October. Access is by Point Park, located at the confluence of the Little Kanawha and Ohio Rivers in Parkersburg. The City of Parkersburg and the U. S.

Army Corps of Engineers have completed Point Park in 1981. The landscaping with shade trees, shrubs and lawn, boat ramp, viewing platform, benches, pedestrian walkway, parking and restrooms were included in the works of improvement. The project cost was $750,000.00.

During 1982, 16,000 persons visited the Island representing 47 states and 17 foreign countries.

A measure plan has been developed by the Soil Conservation Service, through the Little Kanawha RC&D Area for the Blennerhassett Historic Park Commission signature. The measure proposes a wetland wildlife preserve on the lower half of the island. The proposed works of improvement include: water control structure to enlarge marsh areas; a pump for water level control, service road, access and rustic trails, wood duck boxes, osprey nesting towers, observation platform, sanitary facilities, and food and cover plantings.

Highlights of Measure

The Soil Conservation Service assisted the Wood County Commission in the location of a future park. The Wood County Parks and Recreation Commission then asked the LK RC&D for technical and financial assistance to help them to construct a water-based recreation facility as a part of the planned 30-million dollar recreation complex.

An earthen dam was built creating a 49-acre lake.

A second phase contract was let to establish water-based recreation facilities. The facilities installed were: 1-acre beach, bath house, 2 parking lots, 28 picnic tables and grills, 3 comfort stations, 1 boat ramp, 1.9 miles of walking trails, 5 pedestrian bridges, 20 benches, and a fishing pier for the handicapped. Utilities included water, sewage, electricity and an access road.

Total construction cost including relocation was $2,220,832.

Matching funds for the measure came from West Virginia Department of Highways, Appalachian Regional Commission, and the Wood County Recreation Commission.

It was anticiapted that this facility would provide 42,780 visitor days annually. The first year of operation provided 103,700 visitor days and 392 mandays were used to operate and maintain this facility during 1981.

The 2,600-acre Mountwood Park, in addition to water-based recreation, includes 81 camping sites, picnic areas and shelters, playground areas, major games area consisting of mini-golf, horseshoe pitching, tennis, basketball, ball diamond, nature center and a self-sustaining Regional (multi-state) handicap center known as White Oak Village. Planned works include a golf course and lodge.

PREPARED STATEMENT OF WILLIAM S. SUTTON

CHAIRMAN

MARYLAND EASTERN SHORE R. C. & D. COUNCIL

The Maryland Eastern Shore Resource Conservation and Development (RC&D) Area has come a long way in a short, often uncertain, two years. First came the Plan Design; it provided a basis, a starting point. Under the leadership of the RC&D Council made up of representatives of the nine county governments and soil conservation districts, work started on an Area Plan. Calling on private citizens assisted by various State, federal and local agencies providing technical advice, a draft plan has been completed. It represents hundreds of hours of donated time. It provides direction, identifies problems and points out opportunities for RC&D activities.

The Council feels this grass roots approach to leadership and formulation of an Area Plan and individual measure plans is important to the overall success and future of RC&D.

In addition to these planning efforts, since July of 1981 the RC&D Area has assisted with the planning and construction of three projects that addressed locally identified resource problems. Using RC&D, State and local monies, more than $112 thousand in contracts were awarded to correct erosion, drainage and flood problems in Wicomico, Caroline and Cecil counties.

Five other plans correcting erosion problems and providing public water based recreation in Kent, Cecil, Talbot, Dorchester and Worcester counties have been completed and await RC&D funding. Local and State funds are available. Construction of the projects with an estimated cost of $1 million is contingent on RC&D appropriations and allocations.

Finally, planning is underway on four other plans solving erosion, drainage, and flooding problems, and providing public water based recreation and fish and wildlife development. Located in Somerset, Wicomico, Caroline and Cecil counties, the estimated cost of these projects is $625 thousand. Construction of these projects, too, is contingent on RC&D funding.

The 1981 Farm Bill provided RC&D with enabling legislation yet the Administration's Fiscal Year 1983 budget calls for suspension of any further new construction and phase-out of the program. This is very disturbing! We have worked hard to establish our RC&D Area. We feel we have a well balanced program that solves local resource problems. We have demonstrated our ability to work with various State, federal and local agencies stretching their dollars to meet local needs. We want to continue the work we started!

PREPARED STATEMENT OF NICHOLAS J. MELAS

PRESIDENT

METROPOLITAN SANITARY DISTRICT OF GREATER CHICAGO

The Little Calumet River Watershed Plan studies began in 1971 when the United States Department of Agriculture, Soil Conservation Service, and the lead regional local sponsor, the Metropolitan Sanitary District of Greater Chicago, through the enabling legislation of Public Law 566, began a joint effort to solve the flooding problems in the Little Calumet River Watershed and other watersheds in the Chicago region. The Little Calumet River Watershed Steering Committee provided a broad spectrum of public input from the region to help identify planning objectives.

The Little Calumet River Floodwater Management Plan-Environmental Assessment Statement was published in May 1975, after a series of Public Hearings held by the Steering Committee. In addition, interagency reviews and evaluation of full-range alternatives were considered. The Steering Committee selected the recommended system of structural, non-structural, and land treatment measures that were published in the final Watershed Plan and Environmental Impact Statement in November 1978, and updated in June 1981.

The Metropolitan Sanitary District of Greater Chicago has long recognized the need for overbank flood control in the Chicago metropolitan region. It has, on its own or with other local agencies, constructed 17 flood control reservoirs which are also available for multi-use. These reservoirs were built without Federal funding. The cost to the Metropolitan Sanitary District alone for land and construction exceeded $20 million.

However, these 17 reservoirs were constructed to solve relatively localized flooding problems. PL-566, on the other hand, has allowed flood control planning and implementation to proceed on a regional basis. Six major watersheds, including the Little Calumet River Watershed, have been studied in the Chicago Metropolitan area. These studies transcend political boundaries, and are far more comprehensive than any which the individual communities or a county agency would have accomplished.

We must emphasize that flood damage is a very serious problem in the Little Calumet River Watershed. This became painfully evident from the June 13, 1981 storm which hit the Watershed, causing approximately $37 million in damages from overbank flooding alone. This impact may be brought into perspective immediately by comparison to the total cost of approximately $43 million to implement the entire Little Calumet River Watershed Plan. According to the Plan, the average annual benefits to the Watershed are $5.7 million, while the average annual costs are only $3.9 million. Thus, it is obvious that the economics warrant funding for this urgently needed project.

As a responsible regional local sponsor of the Little Calumet Plan, we have recognized the importance of timely acquisition of the identified land sites for the proposed structures. We have voluntarily chosen to secure these lands prior to the project's approval. We have spent in excess of $5 million to acquire all of the land needed to construct three of the four reservoirs identified in the Little Calumet River Watershed Plan, with an additional $250,000 contributed by Cook County. Immediately upon approval of this Watershed Plan, our engineers will embark on the design work and every effort will be made to expedite the construction of the vitally needed flood control facilities.

In going through the President's budget, we were pleased to see that the River Basin Program is being continued with a slight increase in funding. We are very concerned that the Small Watershed Program has no new construction starts, and that the funding is being drastically reduced. These types of actions will either foreclose or significantly delay implementation of highly beneficial and much needed projects such as the Little Calumet Watershed and others developed from the Chicago Metropolitan Area River Basin Study.

In closing, we have been extremely impressed with the dedication and effort of the Soil Conservation Service, and with the excellent active participation and cooperation of Federal, State, and local agencies, as well as many dedicated and concerned private citizens, who have worked together to produce this extraordinary Plan. The Metropolitan Sanitary District and all people of the Watershed, and in the adjoining Chicago region, request that funding for the Small Watershed Program be maintained at least to the level provided for in Fiscal Year 1982, and that new construction starts be permitted.

PREPARED STATEMENT OF PEGGY MCNEIL
PRESIDENT
MID-ATLANTIC R. C. & D. ASSOCIATION

I am Peggy McNeill, Chairman of the Mid-Atlantic Resource Conservation and Development Association and Past Chairman of the South Jersey Resource Conservation and Development Council. I am also a supervisor of the Mercer County, New Jersey, Soil Conservation District, and 1st Vice-President of the Board of Directors of the New Jersey Association of Conservation Districts.

On February 8, the President sent Congress a budget proposal that makes it impossible to let us use the tools Congress provided for RC&D in the 1981 Farm Bill.

I am here to urge your support for a funding level of $50 million for the Resource Conservation and Development (RC&D) Program and to urge you to include specific language in the Appropriations Bill itself which would strongly emphasize that none of the funds appropriated for RC&D are to be used for the purpose of phasing out the program. This is the only way the Administration and the Office of Management and Budget will get the message, so strongly worded by Congress in the 1981 Food and Agriculture Act.

I represent a geographical area that contains one-sixth of the population of the U.S. Twenty-two RC&D Areas already exist in the Mid-Atlantic states; seven more are being proposed for new starts and expansions. Although heavily populated in places, this region is substantially rural, and family farming is an important way to make the area self sufficient and economically viable. RC&D has played a large role in helping rural communities act to solve the problems of the 80's.

The RC&D Program is different from other programs. RC&D means local people working together with USDA and other agencies to identify what the real needs are in their area. Instead of helping individuals, it is aimed at community needs. RC&D is a technique for getting local people together to decide what they need and how to go about getting things done. This is hard to find anywhere else on any government level. In RC&D, public participation initiates the planning process as conservation and development needs are pinpointed by local citizens. We have found that RC&D committees are a neutral ground where individuals and agencies of diverse and conflicting interests can discuss and arrive at solutions to problems. Technical expertise and funding can be assembled through RC&D from all levels of government and private sources, tying needed technical assistance directly to municipal needs.

The National Rural Development Strategy as proposed by the Reagan Administration is a practical and positive response to the diverse problems and opportunities of rural development. It must be flexible, reflecting regional, state, and local differences. Innovative adaptations of procedures more suitable to urban areas are called for to deliver services to areas still lagging behind metropolitian areas in meeting the physical and social needs of their residents. Focus on the entire rural community and not primarily on a single sector such as manufacturing or farming is needed to create healthy and viable rural communities. Community decisions must depend heavily upon the management and problem-solving abilities of local government officials.

The Administration's strategy recognizes that rural communities must make critical land use decisions that require technical guidance --for example, guidance on how to avoid development in flood plains, on prime or unique farm lands, or where there are unstable soils.

Mid-Atlantic RC&D areas are already providing all these services to local decision makers combining available technical assistance and thousands of hours of volunteered time on the part of concerned local people.

RC&D is:

1. In place already.

2. A multi-county conservation & development program - which can approach problems from a watershed or other basis delineated spatially by the resource involved.

3. Often only the place where local decision-makers and conservation and rural development expertise sit down at the same table.

4. An inter-disciplinary USDA program which is better suited to assist local people in identifying and solving complex problems than a single-purpose program.

It is more cost-effective to strengthen this existing structure than to create new ones to do the same job. Therefore we should refashion and retool the machinery that is already in-place to meet today's and tomorrow's challenges.

Let me describe some of the special opportunities RC&D has presented and give you a few examples from the Mid-Atlantic RC&D Areas.

1. RC&D acts as catalyst, providing the spark that kindles other kinds of community improvement, attracts other kinds of financial aid.

   In Fiscal Year'81 the 20 RC&D areas in the six Mid-Atlantic states returned $3.4 million in federal dollars to the states for financial and technical assistance involved in conservation measures. These funds with the concerted efforts of countless local conservation officials acted as seed money to attract an additional $2.5 million from non SCS federal programs, state, local and private sources.

   The Little Kanawha RC&D Project, assisted the Wood County Parks and Recreation Commission in a water-based recreation facility as a part of a planned 30 million dollar recreation complex. Total construction cost was $2,220,832. Matching funds for the measure came from West Virginia Department of Highways, Appalachian Regional Commission, and the Wood County Recreation Commission.

2. RC&D Measures provide accessible recreation facilities for especially needy groups in the general population.

   In Westmoreland County, Pennsylvania, the Penns Corner RC&D helped to expand and adapt an existing county park for use by diverse handicapped groups. The new fishing docks, hard surface trails and barrier-free plumbing and parking facilities have made the park a favorite for busloads of handicapped veterans, the blind, and other groups. Funding came from RC&D, the county and numerous groups such as scouts, handicapped foundations, and concerned private donors.

3. RC&D provides a way for local people to decide how to best spend Federal dollars for conservation projects.

Over the last five years, Southern Maryland RC&D has assisted eight various sponsors in the completion of eight construction projects totaling more than one million dollars in RC&D funding. These projects were done under budget, on schedule and at least four measures directly protected the safety and welfare of school children in Southern Maryland.

The Penn Soil RC&D is helping the town of Conneautville revitalize its downtown commercial and industrial area by alleviating flooding. A flood control dam and a 1520-foot conduit will regulate flood waters so that 25 commercial properties and 20 homes will not be damaged and business activities will not be interrupted. Around $ 1.2 million in federal funds will benefit a community with high unemployment in need of aid to attract industry and commercial activity.

In W. Va. Wes-Mon-Ty RC&D coordinated the activities of a host of agencies and local landowners to cut down on soil erosion in a local watershed upon which a town depends for water supply. Developing together a five-year plan for erosion control in the whole watershed they were granted $176,000 in HUD funds to supplement municipal appropriations to help landowners up stream reduce erosion.

4. RC&D actions can stimulate economic development.

In these energy conscious times there is renewed demand for firewood. To enhance farm income, promote the viability of the family farm and assist with the energy solutions, the Mountain Dominion RC&D in Va. and W. Va. is involved in projects dealing with commercial gardening and marketing of produce by small producers, grassland management programs and programs dealing with fuelwood, with assistance to producers and markets and a special interest in commercial and institutional heating using wood fired furnaces.

The South Jersey RC&D Council adopted an Associated Measure sponsored by the NJ Division of Coastal Resources, Department of Environmental Protection, and the Pinelands Commission which initiated efforts to stimulate the production and use of increased numbers and varieties of native plant species in environmentally sensitive areas. A list of nursery sources for this plant material was compiled. A conference on "Profiting From the Use of Native Plants" was attended by over 100 landscape architects, landscape contractors, nurserymen, municipal officials and agency personnel who heard speakers describe many ways to profit by using native plants to solve problems .

RC&D programs work closely with regional planning agencies, expanding their effectiveness and contact with local citizens. South Jersey RC&D for example, recently received a grant from the Delaware Valley Regional Planning Commission to work with communities in four counties to develop more visable resources to encourage ride-sharing among commuters to Philadelphia.

The RC&D program has successfully harnessed the combined efforts of different agencies within USDA and the US Forest Service to bring technical expertise to rural communities trying to maximize the wise use of natural resources such as forestry agriculture, tourism. In many Mid-Atlantic RC&D areas budget cuts have eliminated the outreach program such as Forestry or Cooperative Extension Specialists.

In South Jersey RC&D alone, the Extension RC&D Education Specialist has had direct contact in an 18 month period with over 28,000 local government and private citizens, preparing tours, conferences and publications for an area of 2.5 million people. The RC&D Forester created a firewood inventory to link 89 area firewood suppliers with those needing wood for fuel.

To be healthy and viable, production agriculture needs to be part of healthy and viable rural communities. Agriculture is increasingly dependent upon rural community decisions and policies relating to taxation, water, land use, transportation, the environment, and so forth. RC&D has and continues to build strong rural communities.

In spite of the attempts by several administrations to phase it out, RC&D has remained a viable force in rural America. With adequate funding and continued support by all levels of government and the public it can better accomplish the goals for which it was created which also coincide with those of the Rural Development Policy Act of 1980.

We have work to do, Mr. Chairman. You, the members of Congress, gave us the authority to move ahead. Help us implement our mandate.

PREPARED STATEMENT OF DONALD J. SCHRICKEL
CHAIRMAN
MILLING OATS IMPROVEMENT ASSOCIATION

My name is Donald J. Schrickel, and I am employed by The Quaker Oats Company as Director of Grain Research and Development. I am submitting a statement to this committee in my position as Chairman of the Milling Oats Improvement Association. Our Association is made up of firms which mill oats for human food. We are currently planning to expand our membership to include producers, seed growers, handlers, and merchandisers of oats. The primary objective of our Association is to support oats research on a state and national basis.

Oats are a highly nutritious grain containing high quality protein in greater quantity than other cereal grains. Oats fit well into the need to grow crops which do not contribute to soil erosion problems, and oats are an alternative crop to grains which may be in excess supply temporarily.

In order that producers can obtain maximum net returns from growing oats, they need a constant supply of new varieties that are disease resistant and have the capability of high yields. To develop and produce new varieties, oats breeders need a wide choice of genetic material which is made available to them through the Small Grains Germplasm Collection. This Collection is part of the National Germplasm System and is administered by the Agricultural Research Service, U.S. Department of Agriculture.

The Fiscal '83 budget request submitted by A.R.S.-U.S.D.A. is for a $3.8 million increase in all areas of the Plant Germplasm Program. Included in this $3.8 million are the following increases which pertain directly to Small Grains:

$200,000	Wheat Evaluation
$100,000	Oats Evaluation
$100,000	Maintenance of Small Grains Collection

Our Association strongly endorses these increases for Small Grains in order to assure the continued improvement of this valuable national resource.

Not included in the A.R.S.-U.S.D.A. F'83 budget is an amount of $2.0 million for a new depository for the Small Grains Collection. The site for this depository is now being studied. Our Association supports the addition of this item as an add-on to the F'83 budget.

Mr. Chairman, I thank you for entering my statement in the record.

PREPARED STATEMENT OF FRED NAPOLITANO
PRESIDENT
NATIONAL ASSOCIATION OF HOME BUILDERS

My name is Fred Napolitano, and I am a homebuilder from Virginia Beach, VA. I am submitting this statement on behalf of the more than 115,000 members of the National Association of Home Builders (NAHB). NAHB is a trade association of the nation's homebuilding industry, of which I am President.

Before I comment on the specifics of the Administration's proposal, I would like to outline for the Subcommittee the state of the housing industry today.

HOUSING PRODUCTION

- New housing production in 1981 totalled 1.1 million units as against an annual need for new homes that has been estimated conservatively at 1.8 million units throughout the 1980s. Last year was the worst housing production year since 1946.
- 1982 could finish as the worst post-war production year yet. NAHB's optimistic forecast for this year holds annual production to about one million. Housing starts in March fell to a seasonally adjusted annual rate of 953,000, down 26 percent from a year earlier, and down more than 52 percent from the 2 million annual production levels in 1977 and 1978 March was the eighth consecutive month that housing starts were below the one million annual level.
- March is the 39th month of recession in housing. The previous record was set during the Eisenhower Administration when the housing recession lasted 27 months.

NEW HOME SALES

- 1981 was the worst year for new home sales since the Census Bureau began collecting statistics in 1963. Only 437,000 new homes were sold, compared to 545,000 homes in 1980 and more than 800,000 in 1977 and 1978.
- Since March 1981, annual new home sales rates have been under the 500,000 level. In February of this year, the annual sales rate of new homes was 336,000. This was only slightly above the record low monthly rate of 335,000 in September.
- Actual sales in February nationwide were 21,000 new homes -- roughly the monthly number of new homes that were sold in the West alone during 1978 and 1979. In all of the Western states, only 7,000 new homes were actually sold in February. Only 6,000 new homes were sold in the Northeast and North Central states combined.

INTEREST RATES

- Conventional mortgage interest rates now average 17 percent. Mortgage rates at such high levels price the vast majority of potential buyers out of the market.
- Interest rates normally fall rapidly and decisively during recession, but in this downturn they have declined slowly and have remained in an historically high range. Analysts

forecast that mortgage rates are not likely to drop below 15 percent this year, thereby killing off any chances for a housing recovery in 1982. The consensus is that home sales will remain at depression levels until mortgage rates drop to the 12 percent range, which by historical standards still represents an extraordinarily high cost of home financing.

- By reducing interest rates from 16 percent to 12 percent, 4.6 million additional families could qualify for a $65,000 mortgage. At 12 percent interest rates, more than 22 percent of the nation's families have the $35,000 income needed to qualify for a modest $65,000 mortgage. At 16 percent rates, fewer than 14 percent have the $44,000 income needed to qualify for the same mortgage amount.

UNEMPLOYMENT

- Unemployment in the construction trades in March was 18.1 percent or 928,000 unemployed workers, accounting for 10 pecent of the total unemployed work force. Another 200,000 skilled craftmen could lose their jobs over the next several months.
- An estimated 200,000 self-employed people in construction-related businesses have either shut down or sharply curtailed their operations in the housing industry. Self-employed people are not counted in the Labor Department's unemployment statistics.
- Bankruptcies are up 51 percent for construction firms and 65 percent for subcontractors.
- Rising joblessness toward levels not experienced since the 1930s continues to feed the federal deficit. The Congressional Budget Office estimates that every 1 percent increase in unemployment costs the Treasury $25 billion -- $19 billion in lost revenue and $6 billion in new expenditures to pay for unemployment programs.

Mr. Chairman, these statistics show with no uncertainty the critically depressed state of our industry. Unless and until mortgage interest rates are reduced to affordable levels, our industry will not show any signs of recovery. I am sure this Subcommittee is aware that in the past seven recessionary periods it has been the housing industry that has led the overall economy out of recession.

Mr. Chairman, over 200 rural builders came to Washington last month representing many other builders who could not afford the trip. Their message was simple and direct -- the Farmers Home housing programs represent the only source of mortgage credit in over half of the counties in rural America. FmHA is the only effective delivery system of mortgage credit for many rural areas. The Administration's proposed FY'83 budget for these programs brings them one step closer to elimination. It seems clear that FY'84 would see the end of the Section 502 and 515 programs, with no alternative method of financing being proposed. Proposals to convert the construction programs of FmHA into a housing block grant administered by the state disregard the workability of these programs and the generally effective delivery system in place through FmHA offices. As shown in the following chart, the proposed cuts by the Administration would decimate these essential programs.

	FY'82	FY'83 Proposed	% Cut
Section 502 Single-Family Low Income	$2.3 billion 67,500 units	$900 million 20,000 units	61%
Section 502 Moderate	$429 million 11,700 units	- 0 -	100%
Section 515 Rental	$940 million 29,400 units	$200 million 5,740 unis	79%
Rural Rental Assistance	$398 million 30,740 units	$185 million 6,830 units	54%
Total New Units	108,600	25,840	67%

Mr. Chairman, we strongly support a level of funding for rural programs that would essentially maintain the FY'82 funding levels. In addition, we support a sufficient level of rental assistance funds to make Section 515 production feasible.

Mr. Chairman, we are deeply troubled by any proposal to shift FmHA interest credit subsidies to block grants for states. We are concerned that the level of assistance being considered would be insufficient to reach a threshold of workability. States will be under political pressures to fund housing in certain rural areas. Small increments of each block grant will be channelled to areas with insufficient expertise to effectively develop or rehabilitate housing. We urge you to reject the dismantling of a rural housing and credit delivery system capable of producing more than the 100,000 housing units delivered in FY'82.

CONCLUSION

Mr. Chairman, we in the housing industry are truly at the mercy of Congress and the Administration at this critical time. The FmHA housing programs comprise the only effective mortgage delivery system in rural America. I urge this Committee to continue its bi-partisan commitment to a responsible level of funding for the essential rural housing programs.

PREPARED STATEMENT OF JAMES B. GRANT

EXECUTIVE SECRETARY

NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

Mr. Chairman and members of the Subcommittee, I am Doyle Conner, Commissioner of Agriculture for the State of Florida. I am presenting this testimony on behalf of the National Association of State Departments of Agriculture (NASDA) and in my capacity as chairman of the NASDA-USDA Policy Task Force. We appreciate this opportunity to appear before the Subcommittee and testify on the proposed agriculture budget for fiscal year 1983.

The National Association of State Departments of Agriculture (NASDA) represents the departments of food and agriculture in the fifty states and four U.S. territories. State departments of agriculture, as you know, work closely with the U.S. Department of Agriculture and the Food and Drug Administration in carrying out many regulatory and promotional programs, most of which are mandated by Federal statutes.

These cooperative programs make possible the pooling of personnel and the sharing of facilities and program costs in a way that benefits Federal and state agencies, as well as the public they serve. Personnel and facilities are better utilized, and more gets accomplished for every tax dollar expended. Cooperative programs in agriculture have a proven record of cost-effective accomplishment, and we are grateful for the consistent support this Subcommittee has given to Federal/State cooperative programs over the years.

Nowhere have cooperative programs been more successful and effective than in the plant pest and animal health area. Unfortunately, this vital and essential component of the agricultural support system has been targeted for especially steep cuts in 1983.

Last month our Association met in convention here in Washington, DC. The States were asked to identify priority budget concerns for purposes of this testimony. The States met in regional groups, and each of the four regions identified APHIS as their number one budget priority.

Subsequently, the full membership of our Association voted to request your support for a freeze of the APHIS program budget at FY 1982 levels. A freeze will necessitate a small reduction in program support levels due to inflation. This program level reduction should be spread equitably among program areas, and we specifically ask your help in assuring that States are also treated equitably and will not be forced to bear a disproportionate share of any future cutbacks.

The Association calls your attention to the theme which runs throughout the APHIS budget justifications document -- namely, that the States and producers are able to bear the full costs of containment and eradication programs. We submit that neither States nor producers are in a position to bear the full burden. The economic recession has created a serious fiscal crisis in nearly every State. Most State agriculture agencies are facing substantial budget and personnel reductions this year, and are in no position to absorb the additional costs of these programs.

Nor is the agricultural industry capable of assuming a new burden at this time. Farm and ranch income is down for the third year in a row, agricultural debt stands at its highest level ever, and the incidence of farm foreclosures and bankrupcties is beginning to reach alarming proportions. The Subcommittee knows all too well that, unlike other businesses, farmers and ranchers are unable to pass on new production costs to consumers in the form of higher prices. Rather, they must absorb new costs out of their presently depressed income.

State fiscal problems and the agricultural recession make it very unlikely that States and producers will assume financial responsibility for APHIS programs. It is far more likely that federal cuts will force the termination or curtailment of many plant and animal programs -- in some cases jeopardizing years of effort and investment.

There are several programs that merit our special concern.

BRUCELLOSIS

The budget calls for a decrease of $31 million for the brucellosis program and its phased conversion from an eradication program to a voluntary vaccination program by FY 1985. This strategy is unlikely to work because, even with vigorous vaccination efforts supported by State and Federal programs, few States have ever attained more than 50 to 60 percent vaccination levels. We are unlikely to obtain better results with only a voluntary vaccination program.

Moreover, the termination of the brucellosis eradication program would create very serious problems for interstate and foreign commerce. Requirements for movement of cattle and swine between States are now based on minimum standards relating to uniform eradication methods and rules. If these uniform movement requirements are dropped as a result of the eradication program being terminated, each individual State would probably implement restrictions on cattle from other States in order to protect their livestock. Brucellosis-free States, in particular, would likely embargo all movement of susceptible livestock from high-incidence States. Exports would also suffer because most foreign countries that buy U.S. livestock, meat, and meat byproducts require certifications based on an active eradication program.

Our Federal and State investments in brucellosis eradication are beginning to pay dividends. We have cut the incidence rate to one-third its level in 1960. This is no time to abandon the effort. We strongly support the continuation of the eradication program and the restoration of funding to no less than the current year level of $90,896,000.

WITCHWEED

In our testimony before the Subcommittee last year, the Association indicated its grave concern regarding the witchweed infestation in parts of North and South Carolina. We lent our support to the Administration's recommendation for containment and quarantine funds, but we asked the Subcommittee to consider the need for a stepped-up eradication program beginning in fiscal 1983.

Witchweed is a serious parasite that causes losses amounting to approximately ten percent of the host crop's yield. It spreads rapidly and it is capable of infesting all corn-, sorghum- and sugarcane-growing regions of the U.S. Nevertheless, the budget proposes zero funding for witchweed containment and the lifting of the Federal quarantine.

The immediate effect of revocation of the Federal quarantine would be a proliferation of State quarantines throughout the United States and actions by foreign countries to protect their agriculture against introduction of this pest.

With witchweed presently occurring only in 31 counties in North and South Carolina, the only way articles capable of moving the pest could be traded in national and international commerce would be for these two States to assume full responsibility for conducting a strong and very costly quarantine program consisting of regulatory, survey and control components under State regulation. Witchweed isn't just a problem in the Carolinas. It is potentially a national problem that requires a national response.

Nor can producers shoulder the full burden. Most of the witchweed tools and techniques were developed for use by USDA personnel. Most are either too expensive or inappropriate for use by individual farmers.

We have the capability of totally eradicating witchweed within ten years. The plan is spelled out in a proposal developed by USDA and the States in September, 1980, and forwarded to the Subcommittee at that time. However, in the interest of budget economy, we will defer our request for a full-scale eradication program. Instead we ask your support for a continuation of the present funding level of $4,723,000. his amount is sufficient to maintain the quarantine, minimize the risk of a major breakout, and preserve our option for eradication at a later date.

GYPSY MOTH

Gypsy moth is being found throughout the U.S. There is ample evidence in the Northeastern States that this pest is capable of widespread destruction of deciduous trees and, possibly, some evergreens if the infestation is allowed to continue for several years. USDA and the States have maintained a quarantine and operated eradication programs against several isolated infestations. However, the Federal government has not taken action to regulate the movement of items that are primary carriers of this pest. The artificial spread of the gypsy moth will be difficult to check unless such action is taken.

The Administration now proposes to terminate the existing quarantine and eliminate all funding for field work. This amounts to an abandonment of all meaningful efforts against the gypsy moth.

The budget proposal infers that gypsy moth is not a serious economic threat. We disagree. A recent study conducted by APHIS and the Forest Service of the economic impacts of 12 Northeastern States shows that timber losses alone amounted to $72 million in 1981.

We respectfully request sufficient funding for a stepped-up Federal quarantine that includes a regulatory program sufficient to prevent the spread of this pest. Meanwhile, the States will continue their efforts to suppress isolated infestations.

OTHER APHIS PROGRAMS

The Association has carefully reviewed the budget proposals for other animal and plant health programs, and we would like to share with you some of our specific concerns.

The termination of the golden nematode program and the lifting of the Federal quarantine would be a disaster for the potato industry in New York and greatly increase the risk of nematode infestation in other potato-growing States.

The elimination of Federal funding for the noxious weed program is an extremely risky method of cutting the budget. Most State weed laws do not have provisions to deal with weeds that are defined as noxious under the Federal Noxious Weed Act. The Subcommittee is aware that many of the most serious weeds in the U.S. are of foreign origin, and the danger of new pests is always present. In addition to having an inspection program for noxious weeds at ports of entry, you may wish to consider establishing a survey and control program to eliminate small infestations of noxious weeds that are already present or may slip through the port-of-entry inspection system.

The termination of the pink bollworm Federal quarantine increases the risk of an infestation in the San Joaquin Valley and other uninfested areas. Without survey support from APHIS, States may have difficulty locating new or expanded infestations in time to effect eradication. Moreover, the funding cut jeopardizes APHIS's long-range plan for the pink bollworm-rearing facility in Phoenix, Arizona.

The elimination of Federal funding of the grasshopper/Mormon cricket program means that there would be no money to conduct survey work in the field. The lack of accurate surveys and the absence of APHIS/PPQ field personnel would severely limit our ability to respond to a serious outbreak if one should occur.

Our recent experience with Medfly, Khapra beetle, gypsy moth and other pests indicates the extent to which unpredictable emergency conditions can result in significant economic damage to the nation's agricultural resources. Under these conditions, the APHIS Contingency Fund is the best means of assuring a timely and adequate response. The Association fully supports the budget request of $2.5 million for the Contingency Fund.

With respect to APHIS animal health programs, we have already indicated that brucellosis is our primary concern. Nevertheless, many other animal programs are vital to the welfare of our livestock and poultry industry and worthy of adequate funding.

MARKETING

There is no better method of boosting farm and ranch income than the expansion of markets for U.S. agricultural products. Farm prosperity increasingly depends on marketing systems that are modern, efficient, adaptable, and aggressively competitive.

Recently our Association sponsored a national meeting of farm and agribusiness leaders to identify steps for stimulating markets for U.S. food and fiber at home and abroad. Stronger markets and increased sales will help restore profitability to farming and ranching. The meeting developed a set of recommendations which have been sent to each member of the Subcommittee. There are more than 30 recommendations addressing a wide range of topics, but one of the basic themes that stands out is the need to strengthen the partnership of the Federal government, the private sector, and the States in the area of market development.

Some of the best examples of this partnership are the various cooperative programs funded in part by the Foreign Agriculture Service's export market development program. For example, FAS is working with our Association on a major export trade show that will open in Atlanta, Georgia in May, 1983.

The show, called the NASDA National Food and Agriculture Exposition, is backed by all 50 States. We anticipate at least 600 U.S. exhibitors, and 1,200 foreign buyers; and the show is expected to generate sales in excess of $100 million. This will be an on-going event held every two years in different regions of the U.S. We are making special efforts to recruit small- and medium-sized firms that have no previous experience in export marketing. Most of these firms deal in processed and consumer-ready products. We are confident that the Exposition will be a major factor in the expansion of overseas markets for value-added agricultural products.

The Exposition would not be possible without FAS financial support. This is just one of several highly promising export projects undertaken by FAS on a cooperative basis with States and private sector commodity groups. The Association, therefore, requests your support for the Administration's proposed increase in the FAS market development budget.

As vital as export markets have become in recent years, we cannot affort to neglect necessary improvements in domestic marketing methods and facilities. This is primarily a task for the private sector, but government has a supporting role to play. Two programs of the Agricultural Marketing Service have been especially successful in helping to modernize domestic markets and reduce marketing costs. These programs are the Federal/State Marketing Improvement Program (FSMIP) and the Wholesale Market Development program. The proposed budget recommends zero funding for both programs.

The Association is especially concerned about FSMIP which requires matching funds from participating States. The program supports authorized projects designed to solve marketing problems or put marketing research to practical use. Its purpose is to experiment with new, untested techniques, and it has become a major catalyst for many of the changes and innovations that are now taking place in the marketing field.

During the current fiscal year, the States were notified of the availability of FSMIP funds in January, 1982. Since then, 19 project applications have been submitted and two multi-state projects, involving aquaculture and wool marketing, have already been approved. Last year (fiscal 1981), 25 States and Puerto Rico received FSMIP support for projects addressing such priority concerns as farm to market transportation, export promotion and electronic marketing.

The Association requests your support for a restoration of FSMIP at the $1.6 million funding level approved by Congress in fiscal 1981 and prior years.

FEDERAL SEED ACT PROGRAMS

The States are troubled by another provision of the AMS budget -- the proposed decrease of $613,000 for the Federal Seed Act programs. The basic function of the Federal Seed Act is to extend the enforcement capabilities of State seed laws beyond State boundaries and to monitor the interstate shipment of seed. The four regional Federal seed laboratories serve as the essential communications link between the States and Federal seed officials in Washington, DC.

The proposed decrease in Federal Seed Act funding will necessitate the closing of the four regional seed labs. This will greatly curtail the ability of USDA/AMS to assist individual States in such areas as the promotion of uniformity in seed testing, case investigations, and the sponsorship of seed inspectors' workshops. The Federal/State cooperative agreements would lose much of their effectiveness. Consequently, we request the Subcommittee to restore the reduction in Federal Seed Act programs with specific instructions to maintain the four regional seed laboratories.

MEAT AND POULTRY INSPECTION

Cooperative State meat and poultry inspection programs are undergoing very critical scrutiny by Governors and State legislatures who are under great pressure to seek out every opportunity to cut expenditures. States have the option of relinquishing their programs and passing the full cost of meat and poultry inspection back to the U.S. Department of Agriculture. During the past 12 months, four States (Arkansas, Idaho, Rhode Island, and Michigan) have exercised this option. Two other States, South Carolina and Vermont, recently decided to keep their programs after strong support was indicated during State budget hearings.

Rep. William Wampler has introduced legislation which will bolster the remaining State programs. His bill, H.R. 5203, would permit State-inspected products to enter interstate commerce.

The Association is hopeful that the remaining 27 State meat and 24 poultry programs will survive the current budget crises if USDA continues to share 50 percent of program costs. The alternative is for USDA to take over these programs and absorb the total cost. The proposed budget recommends $32,205,000 for grants to States for meat and poultry inspection. This represents an increase of $2,106,000, which is sufficient to partly offset increased costs resulting from inflation and mandated pay increases. We respectfully ask your approval of this recommendation and take this opportunity to express our gratitude for your past support of State meat and poultry inspection programs.

FDA CONTRACTS WITH STATES

Since 1973, the Food and Drug Administration has contracted with State departments of agriculture and other State agencies for the performance of food, feed and medical equipment inspections by State personnel. This arrangement saves tax dollars because it permits a more efficient use of State inspectors and cuts FDA personnel costs. It also helps the States keep abreast of the latest inspectional and analytical techniques. At the present time there are 93 contracts with 46 States and Puerto Rico.

FDA contracts with States are funded through the agency's field operations (EDRO) budget. FDA has been required to absorb marginal cuts in its field operations budget each year since fiscal 1980. This reduction led to even steeper cuts in State contracts. For example, in fiscal 1980, contracts were funded at $5.3 million; in fiscal 1981 at $4.4 million; in fiscal 1982 at $3.3 million. Any further cuts would reduce contracts to a point where it would be uneconomical for States to continue the program. We therefore respectfully request the current year funding level of $3.3 million.

The contracts are cost-effective, because State personnel costs are generally lower than Federal personnel costs; and mandatory inspection work can be carried out for less money. From the perspective of budget economy, the program should be continued and even expanded. In any case, we further request the addition of language in the Appropriations bill that will prevent FDA from cutting the contracts program at a higher proportional rate than the total field operations budget.

SUMMARY

The recent history of FDA's State contracts program illustrates a problem that exists in many other agencies and departments throughout the government. When Federal budgets are reduced, State cooperative programs often bear a disproportionate share of the cuts despite their well recognized cost effectiveness.

For this reason, we ask your help in adding language to the Appropriations Bill to assure that when reductions are necessary, State cooperative programs will not be required to take a greater cut in percentage terms than the budget reduction sustained by the cooperating Federal agency.

The Association looks forward to working with the Subcommittee, and we are grateful for this opportunity to testify on the 1983 Budget.

PREPARED STATEMENT OF L. SCOTT TUCKER
PRESIDENT
NATIONAL ASSOCIATION OF URBAN FLOOD MANAGEMENT AGENCIES

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to place on record the views of the Board of Directors and members of the National Association of Urban Flood Management Agencies regarding the Administration's Fiscal Year 1983 budget request for the Soil Conservation Service, Department of Agriculture.

NAUFMA is a non-profit organization whose members include public water management and flood control authorities in metropolitan areas across the Nation.

For years, the water resources community and the Soil Conservation Service have been rightfully proud of a very successful and cost-effective Federal water resources program operated by the Department of Agriculture. I refer, of course to the "Small Watershed Program", often called the "P.L. 566" program. Using simple procedures and criteria, the SCS has saved Federal taxpayers millions of dollars over the years by protecting small watersheds against floods, and by assisting local water management districts in the installation of conservation measures vital to the protection of our land and water resources.

For 1983, the Administration has asked to reduce funding for this successful and cost-effective program by 45 percent. They have further taken steps to dismantle the program by requesting no funds to begin construction on projects which are ready to be built.

Mr. Chairman, our Association strongly believes that the Administration has proposed budget cuts for the Soil Conservation Service which are arbitrary, unfair, and disproportionate to cuts suffered by other programs.

We recognize the need for reduced spending in an effort to get our Nation's economy under control. However, the Administration's approach to the Small Watershed Program is not a reduction in spending but a plan for terminating the program with the completion of current projects. It is no spending at all for building new projects which have met all the criteria for Federal participation. To reduce funds and cut back is one thing, but to eliminate future progress altogether is entirely a different matter. We urge you and members of the Subcommittee to restore funding for this vital program sufficient to allow needed new projects to go forward.

In my view, the Administration has taken a very selective and short-sighted approach to natural resource management for the nation. Time after time, the Administration has proposed new initiatives in the areas of energy resources, timber resources, and mineral resources, with the clear intent being to make it easier to develop those resources for the national good. And time after time, this Administration has pushed aside the need to properly develop and manage our Nation's water resources, hiding behind the economic problems which face us. Little thought has apparently been given to the importance of the life-giving nature of our water resources. Without water in sufficient quantity and quality, development of our other natural resources cannot take place, since water is the first requirement for our very existence. I urge you to act positively to preserve a program which is vital to our future.

I appreciate this opportunity to convey the views of the National Association of Urban Flood Management Agencies.

PREPARED STATEMENT OF JUDI HEBRING
EXECUTIVE DIRECTOR
NATIONAL BUFFALO ASSOCIATION

The National Buffalo Association became aware of problems in the Brucellosis Eradication Program when buffalo (bison) producers complained to us of the extreme hardships imposed upon them by the Animal & Plant Health Inspection Service of USDA. For the past ten years or so, buffalo have been required to comply with regulations designed to eradicate brucellosis in domestic dairy and beef cattle herds.

Buffalo, even when raised commercially, are still wild animals and require entirely different management techniques than domestic livestock. This difference is recognized and accepted in all departments of the USDA except APHIS.

In an effort to assist the hard pressed buffalo producers who were having problems complying with Brucellosis Eradication Program regulations and testing requirements I began to study the entire program. I found many inconsistancies in this program as it applies to buffalo. All research data on the subject pertained to domestic cattle. No study had ever been conducted to establish how this disease affects buffalo. No one had even shown that the disease transmits between the two species. Everything was based on assumption and the program was imposed on buffalo at the request of cattle producers. The buffalo industry was not given an opportunity to comment prior to imposition but was expected to immediately convert their wild animals into docile domestic cattle for testing and certification under the program. No concessions were made to the differences in lifespan of buffalo as opposed to cattle. No concessions were made to the inherent disease resistance qualities of wild animals. No concessions were made to the fact that this disease was causing little, if any, abortion in buffalo herds and no consideration was given to the practice of vaccinating long lived animals with a shortlife calfhood vaccine that was banned for adult usage in many states. It all seemed grossly unfair to the buffalo industry.

We did not dispute the fact that something should be done to control this disease where problems existed nor did we dispute the need to prtect unwary buyers from introducing brucellosis into clean herds. We only disputed the unworkable methods being imposed on buffalo producers. In an attempt to work out these problems and educate ourselves to the alternatives we began coresponding with Dr. Paul Becton, Director of the Brucellosis Eradication Program.

Dr. Becton accepted an invitation to address a meeting of the National Buffalo Association. Members were educated on the history of the program as it applies to cattle but learned little about brucellosis in buffalo. We were anxious to learn however, and at subsequent meetings we invited area program people and epidiologists to talk to us about brucellosis in buffalo. About all this accomplished for producers was frustration with a set of rules designed for cattle that seemed to be chisled in rock. No alternative or compromise was offered. We don't doubt the sincerity of the people from APHIS who attempted to educate us, but we do doubt the scope of the problem as presented by them. We felt the problem had been blown entirely out of proportion and these people had reached a point where they could no longer see the trees for the forest. They were attempting to accomplish an impossible goal and refused to look elsewhere for solutions. The goal of eradication had become so important that the welfare of the livestock industry they were supposed to be assisting had become inconsequential.

In the meantime producers were becoming quite clever in devising methods to beat the system. This, ofcourse, added to the burdon of the officials trying to do the impossible. We learned later that cattlemen had been sl[illegible]ing through the system for years and even some states had worked out ways to avoid enforcing state laws mandated by federal guidelines.

We now knew a lot more about brucellosis but the problem was still there. And the problem was not the disease, but the program. Since our efforts to reason with the bureaucrats administering the program had failed, we next attempted to bring about compromise by working through the system. We were informed the place to start was with the Brucellosis Committee of the United States Animal Health Association (USAHA). Former NBA president, Lloyd Wonderlich and I addressed the voting members of the Brucellosis Committee at their regular meeting in 1980. I don't think we accomplished much, but now these people were aware there was an organized buffalo industry and it was having serious problems complying with the eradication program.

Some months later, Dr. Roth, Chairman of the Brucellosis Committee, asked if we would be willing to come to Washington to discuss this problem further. I was led to believe that this would be a meeting of the industry and members of the voting committee. A meeting was arranged and we appeared as scheduled, only there were no committee people in attendance except Dr. Roth. It was a meeting with Dr. Becton and his staff. We repeated our position and they repeated theirs. Dr. Roth appointed me to the Industry Advisory Board so that the buffalo industry would have input into the decision making process. The problem with this advisory board was that it never met & no one had any idea who was on it or what its function was supposed to be. Members were not even informed of USAHA meetings, or at least I was not. Dr. Roth, in pure bureaucratic style then formed a new subcommittee called the Buffalo Brucellosis Advisory Subcommittee and appointed me chairman. This new subcommittee was charged with the task of studying this problem and then presenting solutions to the voting committee for consideration. I had no input in the formation of my committee. Dr. Roth made the appointments. It was constructed to self-destruct, which it did the first time we met. Attempting to work for change within the system had turned into an exercise in futility.

All these efforts to stonewall us made me wonder why APHIS was so concerned about opposition from such a small segment of the livestock industry. Why bring out the big guns to fight an organization that represented a relative handful of producers? The answer to that was the cattle industry was singing the very same song and they didn't dare grant us concessions as this would leave them vulnerable to other segments of the livestock industry that were unhappy with the program. The picture they had painted us of uniform industry support for an eradication program was false. This really came as no suprise since we doubted support for an eradication program for a disease that experts had shown was impossible to eradicate was as widespread as APHIS officials were contending. Someone must have liked the program or it wouldn't have stayed intact all these years with ever increasing appropriations, but I can assure you, it wasn't individual producers who were asking for regulation.

This program has cost the taxpayers in excess of $2 billion dollars. President Reagan has recommended that the appropriation be cut and this program be phased out over the next few years and turned over to private enterprise and the states. Part of this recommendation is based on the contention that this has been a subsidy to the livestock industry. We agree with the recommendation that the program be scrapped but we fail to see how a program that economists have estimated costs private enterprise $20 for each $1 of federal appropriation can be called a subsidy. Perhaps this has been a subsidy for a few, but for the vast majority affected by it, it has been a burdonsome hindrance.

We also question the logic of throwing another $90 million dollars down this same rat hole in 1983 and 1984. If you are going to follow the President's recommendation to phase this program out why not cut it entirely right now? A crippled program limping along for the next few years is going to serve no purpose. The program has been difficult to police at best and under these circumstances it will be impossible. Those who are inclined to ignore the regulations will have a heyday and others will follow suit. It has already been suggested that the incidence of disease will increase while states and industry work to get their act together and a crippled program will only add to that increase. It is illogical to appropriate a set of circumstances that will add to the burden of an already hard pressed industry.

If this funding is cut to allow a minimum surveillance system to be enacted immediately states and industry will have an immediate incentive to set up control methods. Researchers will have incentive to look for solutions. Producers will no longer have a reason to attempt to beat the system and the bureaucrats won't be able to come back in a few years saying I told you so because things were allowed to get out of hand during the phase out period.

We believe brucellosis can be controlled but we do not believe any serious efforts to control will occur as long as the Brucellosis Eradication Program is intact. Please give serious consideration to cutting this program out of the budget immediately so that genuine control can begin now. Taxpayers will save, producers will save even more and solutions to a problem the federal government doesn't want to be burdoned with will be encouraged.

If nothing else, please re-name this program the "Brucellosis Control Program" because it can be controlled but it neither needs nor is possible to eradicate. The only thing that needs to be eradicated is the program itself.

PREPARED STATEMENT OF ROY HOUCK
TRIPLE U ENTERPRISES, INC.

I am a life long livestock producer and a native of South Dakota. In 1926 I, with my family, entered into the production of Registered Hereford cattle and built up a herd that, at times, numbered over 1500 mother cows. In 1931 we had an outbreak of brucellosis in this herd. It was determined to be brucellosis by having an aborted fetus examined in a laboratory. There was no vaccine or known cure for brucellosis at that time. We learned that a cow had to contract this disease through the mouth. For this reason we practiced as much sanitation with the herd as possible. We fed our cows on clean ground continually, never feeding them on the same ground twice. Several of the cows that aborted became sterile and were marketed. Those that stayed in production were retained in the herd. The majority of cows never aborted and our sanitation practices paid off. Our calf crop continued to rise and in the years that followed it was in the 85% to 95% bracket.

In 1938 we were notified that we could blood test our cows for brucellosis. I was very concerned about this test because we still had many of the cows that were in the 1931 outbreak in our herd. We also had many of their descendants. When the test was completed, to our surprise it was found that we had only two reactors and one suspect. Another test 30 days later showed only one suspect. These two reactor cows and the suspect were producing normal calves regularly. A third test 30 days later showed all the cows were negative to the test and our herd became certified as brucellosis free. It has been claimed by the Animal & Plant Health Inspection Service (APHIS) of USDA that once a cow reacts positive to the blood test, she will always react positive. Our test proved that this was not true.

In 1940 we learned that the vaccine for brucellosis called Strain 19 was available. In 1941 we started vaccinating our heifer calves with Strain 19.

The vaccine gives the animal a boost of anti-bodies to resist the disease.

The test for brucellosis that has been used for over forty years does not test for the disease but tests for the number of anti-bodies the animal carries to resist the disease. These anti-bodies will vary in an animal's system according to the strength of the disease. As the disease decreases, the anti-bodies decrease. This is also true of the anti-bodies stimulated by vaccination. However, some cows will carry these vaccination anti-bodies for an indefinate length of time and if such a cow is tested for brucellosis and shows a high degree of vaccination anti-bodies, she will react positive to the test.

Over the years millions of cows that carry anti-bodies from vaccination or natural immunity have been condemned as infected with brucellosis and sacrificed at a very serious loss to the owner.

Great claims have been made by APHIS and others as to how their program of test and slaughter of cattle has controlled and in some areas eradicated brucellosis. When checked it is found that the control is the result of vaccination and not test and slaughter. In the late 1960's APHIS forced us away from vaccination as the vaccination titers confused their tests for the disease. It became more important to them to protect their test than the animals that could be saved with vaccine. As a result the nation had an explosion of infection.

Brucellosis can be controlled by vaccination but eradication is impossible by any known method today because brucellosis has been found in many species of wild animals and rodents. All animals, and particularly wild animals, are born with a certain inherent resistance to brucellosis. Through the colostrum milk, anti-bodies are transferred from the mother to the offspring.

In 1959 we went into the production of buffalo primarily for meat on one of our ranches. We realized that we would have to develope our own processing and market for these animals. We built our own processing plant right on the ranch. A government Inspector is present when we slaughter and he takes blood samples of the animals slaughtered. We were never notified as to the result of these blood tests until one day in 1979 when two men from APHIS stopped in our plant and told me that our buffalo herd was infected with brucellosis. I asked them on what they were basing this and they said some of the buffalo we had slaughtered had reacted positive to the brucellosis blood test and as a result we would not be allowed to move any buffalo interstate.

We slaughter mainly two year old buffalo bulls and I contend that if some of these bulls were carrying enough anti-bodies to react to the test it was because they had inherited a resistance to the disease from their mothers. Bulls do not spread brucellosis. It is spread from the discharge from the vagina of an infected female or aborted fetus. It must be contracted through the mouth.

We have never had an abortion problem nor a brucellosis problem in our buffalo and have been weaning an 80% to 90% calf crop annually.

In summary, the brucellosis test and slaughter program is not reliable. It has cost the tax payer and producers of this nation many millions of dollars and sacrificed millions of good producing cows over the past forty+ years. The press releases put out by APHIS are also very damaging to the livestock industry. Among other exaggerations, they continually cite that humans get undulant fever from animals infected with brucellosis. Humans contract undulant fever from milk and this has been practically eliminated since pasteurization became commonplace. The uninformed consumer, reading these releases will hesitate to buy and eat meat for fear of getting undulant fever.

I feel that President Reagon was on the right track when he recommended the reduction of funds for brucellosis eradication. However I feel that the funds should be cut off entirely this year and USDA should back away from brucellosis and let the states handle it. The states can cooperate with the producer by furnishing information to promote accelerated vaccination with very little cost. As a result brucellosis will be permanently controlled as is blackleg, cholera and many other diseases.

PREPARED STATEMENT OF ROBERT N. HAMPTON

VICE PRESIDENT, MARKETING AND INTERNATIONAL TRADE

NATIONAL COUNCIL OF FARMER COOPERATIVES

The membership of the National Council of Farmer Cooperatives is greatly alarmed at the proposed cut of more than 20 percent for the fiscal 1983 budget for the Agricultural Cooperative Service. This nationwide association of cooperative businesses which are owned and controlled by farmers has as its members 117 regional marketing and farm supply cooperatives, the 37 banks of the Farm Credit System, and 31 state councils of farmer cooperatives. National Council members handle practically every type of agricultural commodity produced in the U.S., market these commodities domestically and around the world, and furnish production supplies and credit to their farmer members and patrons. More than 80 percent of U.S. farmers are affiliated with one or more cooperatives. The National Council represents about 90 percent of the more than 6,700 farmer cooperatives in the nation, with a combined membership of about 2 million farmers.

Your committee, and the Congress, has in recent years clearly recognized the important role of ACS in conducting research on cooperative issues, in its valuable technical assistance activities, and in its vital continuing role of educating young farmers and the public about the cooperative function.

Agricultural and other national leaders have consistently understood that cooperatives are a tool, perhaps the essential tool, for maintaining our system of farming which has served the nation so well. Only by working together, with national policy approval, can farmers avoid being at the mercy of the large buyers and sellers with whom they deal. If cooperatives are not encouraged, many leading agricultural analysts foresee a strong likelihood that our agriculture could be taken over as a government utility or quasi-utility, or by very large corporations. Loss of competitiveness and of efficiency in production could be a serious threat to our consumers and to our national welfare if that should come about.

The essential principle of cooperation is the maintenance of member control and assurance that benefits flow to patrons in proportion to their business with the cooperative. As cooperatives of necessity grow larger in order to deal successfully with other and larger buyers and sellers, the challenge of keeping policy control firmly in the hands of farmer-members becomes ever more complex. The function of an agency such as the Agricultural Cooperative Service, acting on behalf of both farmers and consumers, as the U.S. Department of Agriculture must do in carrying out its assigned mission, is of invaluable help in researching the most appropriate means of assuring farmer control and in helping cooperatives of all sizes to continually police themselves to assure that they conform to this most vital cooperative principle.

This is one of the important areas in which the need for ACS effort has become greater, not less, as cooperatives become larger. Another critical area is that of cooperative finance. Too little public recognition has been given to the disadvantage cooperatives have in their limited ability to go to risk capital markets for their financial needs. The farmers who must supply the bulk of financing for their cooperative needs are hard pressed as never before in meeting this challenge. The work of the Agricultural Cooperative Service in financial studies is increasingly important in these times of severe competition for capital. A study now in progress on "Equity Redemption: Issues & Alternatives" is especially important in developing more equitable ways of both redemption of member capital and in evaluating the efficiency of alternative plans for meeting these critical cooperative capital needs.

The income and financing crunch which is so severe today in U.S. agriculture also makes the technical assistance work of ACS doubly valuable to cooperatives -- of which more than 85 percent have an annual volume of business of less than $10 million. The increasing recognition of the value of agricultural research and education programs as investments rather than current costs, is reflected in the USDA '83 budget proposals for such USDA programs as the Agricultural Research Service (up 7 percent) the Statistical Research Service (up 6 percent) and the Economic Research Service (up 4 percent). We support the strengthening of these programs, and urge that more broad USDA encouragement be given to marketing as well as production work.

We also strongly support the modest increases for export market development and other programs of the Foreign Agricultural Service. All these programs, like Extension Service and ACS work, are often geared to providing substantial long-range benefits which sometimes are even more significant than the immediate results.

We believe it to be a short-sighted and false economy to make such sweeping cuts which would demoralize a valuable agency such as the Agricultural Cooperative Service. Such cuts are totally inconsistent with the budget proposals for comparable programs of other agencies. The work of the ACS, contrary to the superficial and mistaken evaluation of self-labled "expert" critics including businessmen who are opposed to all cooperative competition, has been and continues to be of great value to U.S. farmers and their cooperatives -- who need this assistance more than ever at this difficult time.

We strongly urge that this committee restore the 1983 funding of the Agricultural Cooperative Service to a level at least equal to that of 1982. Administration critics who brought about the proposed budget reduction do not fully comprehend the key role of cooperatives in American agriculture nor the extremely valuable services which ACS has rendered to the U.S. and its farmers throughout the years.

We appreciate the opportunity to make this statement, in support of a program which, uniquely among all USDA activities, is sharply aimed at increasing farmers' purchasing power by improving the terms of trade. Such improvement equally benefits our agriculture and our nation.

PREPARED STATEMENT OF NATIONAL PEACH COUNCIL

National Peach Council, a non-profit association of peach producers, and persons in allied industry, is requesting that more attention be given specifically to peach research in the FY 83 Appropriations Bill for USDA Service and Educational Administration.

Peaches are grown commercially in 32 states and are a very important component of the American diet. Fresh peaches are available May through September and are an excellent source of vitamins and fiber, low in calories, and the number one summer fruit. Annual farm value of this nation's peach crop in recent years is estimated to be in excess of $360 million.

Peaches are largely grown by small growers and as a family farm operation. Most of our growers use local labor for harvesting peaches and we feel we contribute to the maintenance of a strong rural America. Our industry has severe problems that require research. Because agriculture in the United States is a collection of small businesses rather than large companies, no single farm or orchard can afford its own extensive research and development program such as IBM, General Electric, or Monsanto. Therefore, our growers depend on state and federal facilities to fill this role of short and long term research needs for our industry.

We are asking for an increase of $450,000 in FY 83 Appropriations Bill for USDA Service and Educational Adminstration, specifically to support programs on research relating to peach rootstocks, nematodes, and marketing of fresh peaches.

Some of the most severe problems in the industry could be solved by research on rootstocks. One of our biggest problems is the early death of peach trees grown in southern states and this is getting worse over the last few years. We believe part of this problem is associated with rootstocks, (that portion of the tree that is underground and upon which named varieties are grafted).

Nematodes that attack the rootstock of trees are a serious problem especially in the South, and since EPA banned the only nematicide (DBCP) effective on bearing peach trees. At the present time EPA is cooperating with Clemson University, Amvac Chemical Company, and South Carolina peach growers to use the banned chemical on test plots in hopes of getting a re-registration. If a chemical cannot be registered our only hope is research to find a rootstock resistant to nematodes. Estimated loss of trees in the South within four years could be $150 million unless this problem is solved.

This winter several states (Illinois, Indiana, and Kansas) lost an entire peach crop to cold temperature. Other states lost three-fourths to a half of their crop New Jersey, Virginia, and West Virginia, North Carolina and South Carolina. Studies are needed on the use of rootstocks to influence dormancy and prevent peach trees from being injuried by these unseasonal climatic conditions.

The problem with lesser quality fruit from early varieties creates marketing problems that could be corrected with rootstocks and varieties resistant to these problems through breeding and genetics research. Currently our industry is working with USDA in correcting the problems in marketing these early varieties.

Peaches are a very perishable and delicate commodity. Because they can not be stored or handled like apples, oranges, pineapples, and other commodities, the marketing of peaches has always been a problem. The consumption of fresh peaches is down in the United States. We need research on how to get a quality product at reasonable prices to the consumer during our short growing season - this involves research on maturity, size, packaging, handling, transportation, and refrigeration.

In a self-help effort to find out how much state and federal research monies were being spent specifically on peaches National Peach Council's Research and Education Committee attempted to measure United States peach research through 1977-1981. In January, 1982, a CRIS search (a computer program known as Current Research Information) was requested for all research projects relating to peaches. The conclusions reached by this search indicated that indeed funding and staffing for rootstock research, nematodes, and marketing are not what it should be in relation to the magnitude of our problems. Most peach growers currently rank marketing near the top of their list of concerns. Yet only nine projects and $46,000 annual funding (state and federal) were devoted to market research during the survey period. (Tables of peach research by subject matter and by states are attached.)

We cannot look to the individual state agricultural experiment stations to do this research. The problems of rootstocks resistant to disease, insects, climatic conditions, and ones that produce quality fruit for the consumer are national problems. We know that no single individual speaks for national policy concerning peach research. Priorities for federal facilities are established more - or - less independently from the states. We ask that $450,000 additional peach research funds be alloted for rootstocks, nematodes, and marketing and that these projects be coordinated with ongoing and similar federal and state projects in order to save money and avoid duplication.

We appreciate the problem of inflation and desire to reduce Federal spending to the very minimum. We commend this administration for their efforts in that direction. We are not asking for a handout - we are asking for an investment in American agriculture. Investments have paid handsome dividends in the past and consumers would ultimately benefit by having a continual supply of fresh peaches available over a longer period of time and at reasonable prices. We ask that you give our request serious consideration.

Before closing, we would like to take this opportunity to thank the subcommittee for previously providing funds for the initial staffing at the new USDA Appalachian Fruit Research Station, Kearneysville, West Virginia. We view this new research station as having the potential of being one of the finest in the world and we encourage its use to its fullest capability.

We thank you again for allowing us to make this presentation. We will try to answer any questions you may have.

Table II. Peach research projects by states, 1977-81.

	STATE	SY	USDA	SY
Alabama	3	1.2		
Arkansas	10	1.76		
Arizona	1	0.1		
California	35	5.25	7	1.78
Colorado	5	1.62		
Connecticutt	4	0.77		
Florida	32	6.32		
Georgia	20	7.90	19	9.3(1)
Idaho	2	0.11		
Illinois	5	0.89	2	
Indiana	3	0.61	3	0.6
Kansas	7	0.03		
Kentucky	3	1.85		
Louisiana	8	1.58		
Massachusetts	1	0.40		
Maryland	9	0.96	12	3.21(1)
Michigan	9	0.79	1	0.33
Minnesota	1	0.06		
Mississippi	2	1.20		
Missouri	5	0.32		
Montana	1	-		
North Carolina	12	1.59		
New Hampshire	1	0.21		
New Jersey	15	4.04	3	0.62
New Mexico	2	0.12		
New York	13	1.46		
Ohio	4	0.73		
Oklahoma	3	0		
Oregon	7	0.27		
Pennsylvania	6	0.42		
Pakistan			2	0.43
Poland			2	1.80
South Carolina	28	8.71	1	1.00
Tennessee	3	0.31		
Texas	11	2.06		
Thailand			6	2.45
Utah	7	1.41		
Virginia	6	0.70		
Vermont	1	.02		
Wisconsin	2	.01		
Washington	9	1.12	6	0.49
West Virginia	10	1.53	10	4.22
		57.88		26.23

(1) Current level reduced due to reassignments and vacant positions

Table I. Peach research in the United States, 1977-81.
Division of CRIS reports by subject matter.

			$ Est.Annual Funding(Thousands)					%
Subject	# Projects	SY	TOTAL	FED	(%)	NONFED	(%)	BASIC:APPL.
Breeding-Genetics	7	1.44	245	137	(56)	108	(44)	21:79
Cultivar	28	9.47	1,278	512	(40)	766	(60)	16:84
Rootstock	18	4.55	384	124	(32)	260	(68)	9:91
Propagation	8	2.09	126	60	(45)	66	(55)	60:40
Economics	10	0.66	58	19	(33)	39	(67)	4:96
Marketing	9	0.52	46	23	(50)	23	(50)	4:96
Nutrition	13	1.99	203	103	(51)	100	(49)	26:74
Water & Irr.	15	2.53	277	38	(14)	239	(86)	23:77
Orchard Floor	11	2.31	334	162	(48)	172	(52)	16:84
Orchard Design	18	3.53	342	83	(24)	259	(76)	16:84
Thinning	2	0.30	50	28	(56)	22	(44)	20:80
Growth Reg.	14	2.63	265	123	(46)	148	(54)	17:83
Dormancy	2	0.7	57	12	(21)	45	(79)	40:60
Cold-Frost	11	2.35	182	104	(56)	78	(44)	37:63
Physiology								
Flowering	0	0	0					
Fruiting	5	0.49	65	27	(42)	38	(58)	80:20
Vegetative	5	1.21	108	11	(10)	97	(90)	40:60
Mechanization	9	2.76	339	279	(83)	60	(17)	30:70
Postharvest	36	5.13	470	352	(75)	118	(25)	29:71
Processing	24	5.24	427	216	(51)	211	(49)	25:75
Disease								
Bacterial	16	5.25	449	253	(56)	196	(44)	48:52
Fungal	24	7.39	616	272	(44)	344	(56)	33:67
Viral	20	2.66	272	66	(21)	206	(79)	39:61
Nematodes	7	0.62	140	122	(87)	18	(13)	39:61
PTSL	9	6.70	609	448	(75)	161	(25)	58:42
Insects	43	8.11	783	398	(51)	385	(49)	36:64
Misc.	9	0.45	36	1	(3)	35	(97)	16:84
Socio-Polit.	8	2.88	134	134	(100)	0	(0)	16:84
SUMMARY	381	84.11	8,295	4,107	(50)	4,188	(50)	30:70

PREPARED STATEMENT OF S. MICHAEL MISHOE

NATIONAL PORK PRODUCERS COUNCIL

We thank you for the opportunity to submit this information for your study and record.

The National Pork Producers Council has over 110,000 dues-paying, producer farm families as members. It is funded entirely by a voluntary checkoff program which collects two dimes per market hog at the market place. Producers who voluntarily participate number well over 200,000.

The goal of our relatively young organization is to improve the profitability of pork production. We provide consumers with information concerning the nutrition and the economic value of pork. In addition to increasing demand for the product, our Council's job is to reduce the costs of production by improving efficiency. This is accomplished by a vigorous research and education program which is closely interrelated with the federal research and extension effort on swine. However, we feel that the federal effort needs to be further enhanced.

Appropriations for agricultural research are still far below what they need to be to prevent a future food crisis, especially in consideration of world population growth. USDA expenditures for research are even far below allocations for research by other federal government executive branches. The recent OTA study, "An assessment of the U.S. Food and Agricultural Research System" states that "USDA research expenditures are the lowest of total federal expenditures by a major federal research agency for R&D. In 1978, USDA's share of federal expenditures for R&D was 1.5 percent of total expenditures compared to DOD-45 percent, DOE-16 percent, and HEW (now HHS)-12 percent." (Pg. 77)

The report goes on "For the period 1945 – 79, technological innovations increased agricultural output 85 percent, but there was no change in the aggregate level of agricultural inputs. Substantial evidence shows that the rate of return on food and agricultural research investment is high relative to most other social investments. Therefore, the total volume of all goods and services is greater as a result of research investment than it would be if these funds had been invested in other alternatives." (Pg. 61)

It has been estimated that the rate of return on investments in swine research is 52 percent. This is higher than the return on investments for all other agricultural commodities produced in the U.S., except potatoes. The OTA report makes the following statement about that: "The high rates of returns are evidence of a resource allocation problem. Economic efficiency calls for investment funds to be allocated in such a manner that the marginal returns in all categories are the same. The high rate of return on agricultural research indicates underinvestment by the public sector. In other words, additional resources should be allocated to agricultural research in order to bring its rate of return in line with the returns from other public investments." (Pg 74)

We are especially appreciative of the President's efforts to bring inflation under control. We applaud his efforts to cut government spending in all departments. However, we realize that agricultural research was one of the few programs which demonstrated real dollar increases in spite of the overall reductions. We are very thankful that USDA Secretary Block brought this refreshing attitude to the Department at such a critical time in history.

AGRICULTURAL RESEARCH SERVICE (ARS)
COOPERATIVE STATES RESEARCH SERVICE (CSRS)

We are gratified to see this Administration continue to place a high priority on the Department's own research. We understand that only one-third of the proposed increase would apply to animal production and protection from diseases. We are always disappointed that the Department continually allocates less research funds to animals than they do to plant science. But this in no way should be interpreted as a lack of appreciation for these substantial increases in basic agricultural research for which we believe the Department has to have primary responsibility.

We also commend the Department for other substantial increases in livestock production and protection and that swine research is scheduled to receive its share. We recognize this Administration is committed to increased research and we applaud this dedication.

We condone the emphasis on basic agricultural research and note with approval the almost $10 million in this category. We do appreciate the increase of $4 million in animal health and protection. In our producer polls, we consistently find that they list swine diseases and their control as major problems. Research to develop better methods of prevention and control are important to our producers. Therefore, it disappoints us that the proposed funding for the Cooperative States Research Service does not include any provision to fund the Animal Disease Formula Funds, Sect. 1433. We strongly urge that this Committee and the Congress provide funds for this extremely important research and suggest the figure of $7.5 million which will only compensate for inflationary increases from the FY-82 appropriations for this activity.

We also recommend that the special grants for animal health be funded as recommended in the President's Budget. This figure of slightly over $7-million dollars complements the animal health funding provided by formula funds as it provides some national direction to animal disease research. The NPPC is in full support of continuation of support for animal disease special grant allocations.

We also recommend an ARS appropriation for development of applied veterinary research with farm animals at the U.S. Meat Animal Research Center in Clay Center, Nebraska. Currently, there is no major research effort within ARS which focuses on the interaction of production measures with disease and parasite problems. The Meat Animal Research Center lends itself very well to establishing this much-needed research capability with large numbers of many breeds of the major species of livestock. Also, the expertise available on all disciplines of animal science, engineering and economics, together with the close working relationship with the National Animal Disease Center at Ames, Iowa, provides a unique opportunity to fulfill this priority need. We join with the National Cattlemen's Association in requesting $750,000 to initiate work in this area of disease management research at USMARC.

We note the proposed increase in the Competitive Research Grants for helping to solve the basic plant science problems. We fail to understand why the Administration proposes another increase in the plant science area and refuses to allocate any of these grant funds to animal science. We do not agree with the Department's position that these funds are to be used only for plant science and human nutrition research. We request that this Committee examine that conclusion or policy. If it is mandated by past actions of this Committee, ask the Congress to consider changing them to make funds available for animal research under the Competitive Grant Funds.

The NPPC concurs with the animal science research priorities as listed by the American Society of Animal Science. The first priority involves improvement of reproductive efficiency. One of the primary ways producers can improve profits is by marketing more pigs per reproducing female. We feel that a mechanism such as the Integrated Reproductive Management (IRM) program would provide the framework for all disciplines in ARS, CSRS and Extension to work with industry in solving reproductive problems for all of animal agriculture.

Second on the list of priorities is the research involving the factors which control whether dietary nutrients are laid down as fat or protein. With consumers demanding an ever leaner product and with the efficiency factors associated with lean meat production, animal agriculture will have to take a hard look at the basic and applied science involved with these mechanisms.

Thirdly, research on beneficial and undesirable gastro-intestinal tract microorganisms needs to be conducted. For example, excessive iron supplementation of baby pigs causes proliferation of undesirable microbes in the gut. More of these interrelationships need to be explored.

Lastly, genetic engineering studies which incorporate studies on production traits and disease resistance are needed. The NPPC has taken the leadership and partially funded three very basic projects which attempt to find some answers to these questions.

The NPPC would like to see more aggressive federal funding of animal production research, as well as animal health research, conducted on the state level. The OTA study assessing the U.S. Research System stated that federal funding of state experiment stations increased 1.5 percent per year in constant dollars while state funding showed a constant dollar increase of more than 4 percent per year (Pg. 58).

Animal scientists would appreciate the opportunity to compete with veterinary medicine researchers for federal funds available through CSRS. NPPC recommends that the proposed amounts in competitive grants and for other sources of funding be opened up to allow production and health scientists to compete for the same funds. We believe the competition for funds, as evaluated by peer review panels, would be an asset to the progress of the industry.

EXTENSION SERVICE

The pork producers believe that a strong, viable Extension Service is essential to the welfare of American agriculture. We also believe it can be strengthened and improved. We have submitted testimony to the Committee on Agriculture based upon surveys of our producers and state associations. We do not believe the Federal Extension Service can maintain its current contribution to the Cooperative Extension Service unless funds are available to at least compensate for the inflationary costs for salaries and expenses. Perhaps this can best be done by adjusting emphasis on programs under various sections. For example, we note the proposed $60-plus-million dollars for the food and nutrition education program. We would recommend that funds from this program be redirected into increases for the section 3B and 3C programs.

We plan to participate in, and follow closely, the activities of the Administration and the Congress in the ongoing evaluation of the Cooperative Extension Service. We believe that improvements in the Service are possible but we do not believe that funds should be decreased (which is what inflation does if not compensated for) by holding the funds equal to last fiscal year. Therefore, we urge increases to this program or re-direction of the funds so that the basic programs under Section 3B and 3C can be at least maintained at 1982 levels.

We are also concerned by the proposed reduction in the federal administration budget. We understand this will require a 27 percent reduction in the Washington staff with plans for further reductions in following years. We are not sure that this staff can be reduced this much without seriously affecting the state programs. For example, there is now one staff officer for swine, cattle and sheep and one for veterinary medicine. It would seem difficult to stretch the responsibilities of these staff officers anymore. We question the wisdom of this initiative by the Department and recommend that the Committee examine this proposed reduction critically.

FOREIGN TRADE DEVELOPMENT

Our members are placing high priority on exports and foreign trade development. Recent member polls indicate this. At our recent delegate meeting during the American Pork Congress in Indianapolis, there were three resolutions introduced from our member state organizations calling for increased exports and foreign trade development. Therefore, we are happy to see the $11.5-million increase in foreign market development activities. The National Pork Producers Council is supporting very substantially the program of the Meat Export Federation (MEF) and the MEF has a cooperator program with the Foreign Agricultural Service (FAS). We expect this increased funding for FAS may make it possible to expand that program which we certainly endorse.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

We note that the FSIS again has earmarked a substantial amount — $4.8-million for their so-called residue testing program. We can heartily endorse a program which will prevent the occurrence of over-tolerance contaminants in our food supply. Our problem with the large increases proposed last year, and again this year, is that no one has explained to us how this program will achieve the goal of the so-called Total Residue Avoidance Program (TRAP). The possibilities of accidental contamination always exist and we question whether more testing or methods development is going to avoid these accidents. We endorse the activities of the Extension Service which is funded from this source to help farmers prevent contamination, but this transfer was only about $1 million in this fiscal year. If they plan to increase their support of this activity with this increase this year, we can approve of it, but if they are going to primarily increase their testing and methods development, we fail to see the need for this increase. The incidence of violative residues, except from accidental contaminations, are so low that we think this is a program looking for a problem. In light of the high priority in the Department's budget, we seriously question this increase, at least until there is better justification for these activities.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

We were surprised to see the magnitude of the proposed cut in the brucellosis program funds. Practically all the funds are used to combat brucellosis in cattle. One estimate is that only about $1.8 million is used for swine brucellosis. This program has been a remarkable success. Eighteen states and two territories are certified as swine brucellosis free. These states and territories produce 44 percent of the pigs produced in the U.S. and its territories. Eleven states are in the next stage leading to certification as free.

This program should be completed. There is no substitute for the present program which is basically testing breeding animals at slaughter and tracing back to the infected herds. Once the infected herd is identified, they can be tested to eliminate the disease or the animals can be slaughtered. Swine brucellosis is the major source of human infection.

Because we are so close to our goal of eliminating swine brucellosis, we should not stop now. The program in swine is very different than in cattle and alternatives are not available. Perhaps a time limit might be set when the goal must be reached which would serve to stimulate more action in some areas where the program is not pursued as actively as it could be.

We note with some dismay, two other proposed reductions in the APHIS budget. One is the $981,000 reduction in the emergency programs and the other is the $1,572,000 reduction in the import/export inspection.

With African Swine Fever (ASF) still active in Haiti, and the continuing flood of Haitian refugees into the U.S., we are very concerned that this disease may spread to Puerto Rico or the mainland of the U.S. The APHIS organization has developed an excellent emergency handling and response capability. The effectiveness of this organization has been demonstrated several times with foreign poultry diseases. Fortunately, they have not had to cope with a foreign swine disease but we want nothing to interfere with their ability to react and contain any foreign disease that may spread to the U.S. Before agreeing to this reduction, we urge this Committee to ascertain just what this proposed 25 percent reduction would do to that ability to respond to foreign disease outbreaks.

The other decrease proposed in regard to import and export inspection gives us concern for the same general reason — the possible spread of foreign diseases to this country. The APHIS organization has a program of baggage inspection of foreign travelers that is vitally important. We are aware of the constant pressure to speed foreign travelers through our airports and reduce the inspection of passenger baggage. The carrying of meat from countries with diseases like African Swine Fever is of great concern to us. We do know that passengers carry meat products in their baggage. The following table shows the number of baggage lots in which meat and meat products were found and the pounds confiscated.

	FY-1979		FY-1980		FY-1981	
	Lots	**Amt Lbs**	**Lots**	**Amt Lbs**	**Lots**	**Amt Lbs**
Meat and meat products confiscated from aircraft passenger baggage.	49,248	150,843	65,677	183,159	64,824	384,434

Likewise, APHIS has a program for disposing of garbage from vessels and aircraft coming into the U.S. The disposition involves the sealing of containers while the vessel is in the U.S. port, or incarceration when it is removed. The volume of garbage and number of vessels and aircraft is indicated in the following table.

	FY-1979		FY-1980		FY-1981	
	Lots	**Amt Lbs**	**Lots**	**Amt Lbs**	**Lots**	**Amt Lbs**
Vessels	4,319	3,027,631	3,140	2,665,199	2,730	5,854,756
Aircraft	134,734	11,593,045	138,024	13,603,292	181,551	21,740,868

It is evident that this control is a vital safeguard. One sausage or one pork chop coming from an animal harboring an exotic virus can be the means of starting a foreign disease outbreak in the U.S. Any reduction in either of these activities would be false economy. The cost of control and eradicating a foreign animal disease could be a thousand times more than these minimal expenditures.

We trust this Committee will consider these proposed reductions very carefully and not concur in them unless you are convinced that they will not jeopardize these essential protective programs.

Mr. Chairman, we appreciate this opportunity to be able to express our views to this Committee. If there are any questions, we'll be glad to try to answer them.

NORTH CAROLINA ASSOCIATION

SOIL AND WATER CONSERVATION DISTRICTS

PREPARED STATEMENT OF RALPH C. TUCKER

CHAIRMAN, R. C. & D. COMMITTEE

The Resource Conservation and Development Committee (RC&D) of the North Carolina Association of Soil and Water Conservation Districts respectfully request this testimony be entered into the records and minutes of the hearings for the Subcommittee on Agriculture, Rural Development and Related Agencies. The Association's RC&D Committee supports and recommends that the RC&D program be implemented as outlined in the 1981 Farm Bill. We have been told the administration will not implement this new authorization.

I have served in the RC&D program personally since 1971 and know for a fact it is a local controlled program, with decisions being made at levels closest to solving a local problem. The citizens of the seven areas in North Carolina, which covers 35 percent of the State,are vitally concerned that these activities be continued, at least at the present levels.

The seven (7) RC&D areas in North Carolina have a backlog of work to be completed that is waiting for adequate funding to accomplish. Some 19 projects for erosion control (estimated $670,000), 11 flood prevention and land drainage projects (estimated $795,000) and 7 public water-based recreation and fish and wildlife development projects (estimated $595,000) are a few examples. Attached is a copy of news article of RC&D Conservation projects for your information and use.

In addition, the grassroots effect of RC&D is working to initiate, encourage and support all aspect of rural life from improving cropland to ensuring quality economic and health standards for area residents. The major goal of RC&D Councils is to work with people to solve their problems. RC&D has been an on-going "people helping people" program since its inception.

The RC&D Committee recommends that consideration be given to adequate appropriations for the RC&D program and that language be included for funds not to be used for any type phase out of the program.

The citizens of North Carolina RC&D areas thank you for your past support and your consideration for the above action.

The News-Herald

WEDNESDAY, February 17, 1982

School AND TOWN benefit FROM soil CONSERVATION PROJECTS

(Editor's Note: Frank Jeter Jr. is the public information officer for the North Carolina Soil Conservation Service.)

By FRANK JETER JR.

WINTON — Most educators would agree that a pleasant schoolyard is a definite advantage of school youngsters. This becomes particularly true when they attend elementary school.

The R.L. Vann Elementary School on the edge of Ahoskie, located in the flatlands of Hertford County in North Carolina's Coastal Plain, is a much nicer place these days than it was for several decades. The school buildings sit on a flat piece of real estate that looks attractive from the front, where the parade of school buses comes to discharge students, and it also provides a large play area at the rear.

This pleasant condition is a new development, and the credit goes to some simple but time-tested conservation measures that made the schoolyard habitable in all kinds of weather.

Just a couple of years ago there were whole weeks during the school year when the students couldn't play on the grounds at all. Newspaper cartoonists may picture youngsters having fun playing in the mud, but it's not much fun during the chill of winter and in fact the school has a problem when boys and girls can't get to class without wading through the entryway.

Flooding also damaged the building of the school, which was originally built and put into use in 1933. The problem was so acute that some Hertford County officials gave serious consideration to abandoning the site and building a new school plant in the same general area. But friends of the school declared that it was historic, and added that there must be a solution to the problem.

"Fortunately, we didn't have to look very far to find a solution" says Principal Clarence S. Newsome. He had a more than normal interest in the matter. In addition to heading the school, he had himself been a pupil there in the 1930's and could remember problems back to his own school days.

Since Hertford County is like much of the Coastal Plain in Eastern North Carolina, the problem was not unique. Flat, low-lying land and frequent heavy rainfall create the same kinds of trouble wherever these conditions are found.

Conservation drainage work had previously been done on two high schools in the county, one at Murfreesboro and the other in Ahoskie itself — not too distant from the R.L. Vann School.

So the U.S. Soil Conservation Service was called in, as it had been on the two previous schools. In fact, officials considered making the elementary school part of the same project as the two high schools.

Since Hertford County is one of five served by the Mid-East Resource Conservation and Development Area, itself a program where the SCS provides leadership and technical assistance, the project became eligible for financial assistance under R C & D.

Design work was started in 1980, with SCS District Conservationist A.B. Whitley III, and Soil Conservation Technician Francis Holloman devoting considerable time to the project.

An old drainage ditch that ran along one side of the 7.5 acre schoolyard was cleaned out, so the excess water could flow away freely.

The entire campus was graded to improve drainage, and grassed waterways installed to help remove water. Concrete catch basins were installed at strategic locations, and the drainage downspouts from the school building flow into the catch basin system.

A key item for controlling excess water was some 7,500 linear feet of underground plastic pipe — the kind farmers call "drain tile" — installed for the maximum effectiveness.

Looking back on the project, Principal Newsome recalls "how proud I felt when I knew that we were going ahead with it."

Funding for the project was cooperative, but with Resource Conservation and Develpment funds providing the major share. Of a total cost of $98,000, R C & D funds provided $85 thousand with the remaining $13 thousand provided by the Hertford County Board of Education.

You can get eloquent testimony to the effectiveness of the project from the school principal. "We're all just pleased at the way it has worked. It not only dried up the land on the school grounds (7¼ acres) but it has an excellent effect on the entire neighborhood."

Sure enough, people living near the school are experiencing a great difference in flooding, mud puddles and similar problems since the project was installed. But the happiest group of all is easy to find: the school youngsters who attend the school. For the first time in years, they can play on their own schoolground any time they want to.

Village of Cofield

Water standing in the streets and in people's yards is especially bad in cold weather. It's almost as bad in summertime, and then you have a mosquito problem in addition. And septic tanks that don't work because of poorly drained land are bad news any season of the year.

This describes the conditions that often faced people who lived in the municipality of Cofield, not far from Ahoskie in Hertford County, just a few years ago. But things are looking up nowadays.

The good news has come since the citizens of Cofield — some 250 families, elected Mrs. Nellie G. Melton their mayor in 1980. The people were concerned about the problems, which happened fairly frequently in the low-lying Coastal Plain soil where they live, and the new mayor determined to do something about it.

The first step was to contact the Mid-East Council of Governments. On the recommendation of that body, they moved on the North Carolina Division of Health Services. After all, mosquitoes and flooding and septic tanks that don't work are considered health problems.

The Division of Health Services contacted the USDA-Soil Conservation Service in Hertford County, and Conservationist Whitley came up with an immediate solution. After looking over the problem, he figured that a ditch to carry off the surplus water would do the trick.

With the solution in sight, Mayor Melton went to work. She obtained more than 50 easements from property owners, ranging from people with small lots all the way up to the Seaboard Coast Line, to allow the ditch to be installed.

Technical assistance was provided by A.B. Whitley and by Frances Holloman, Soil Conservation Technicain with SCS. Dewey Boseman of the Division of Health Services worked with the SCS team.

Action was quick. Work was started in June, 1980, and completed soon after. The project was eligible for cost-sharing from the Division of Health Services. The contractor installed 7700 linear feet of drainage ditch plus two concrete culverts to supplement others already in use.

How did it work? Mayor Melton is enthusiastic. "Look around you," she says, standing near the new Town Hall and fire station and waving her arm at a better drained neighborhood. "Now the septic tanks work, and we have a good water supply. And this is just the beginning."

You get the feeling that she's not just voicing her pride in Cofield. The energetic mayor, a longtime resident, is the type of person who keeps things moving. As an accompaniment to the project, she got the North Carolina Department of Transportation to clean out some roadside ditches — and was so energetic in this effort that Governor Jim Hunt has picked her for his Department of Transportation Efficiency Council just a few months ago. (in 1981)

The Soil Conservation Service people share the community's pride. "water is a wonderful thing," says A.B. Whitley. "Lots of people would like to have a better supply. But you've got to manage it, like other useful things."

PREPARED STATEMENT OF JAMES A. GRAHAM

NORTH CAROLINA COMMISSIONER OF AGRICULTURE

SUMMARY

Witchweed is a parasitic weed that attacks corn, sorghum, and other crops causing severe crop loss. It occurs in the western hemisphere in only 31 counties in eastern North and South Carolina. The U. S. Department of Agriculture, Animal and Plant Health Inspection Service, funded withcweed program involves certification of commodities, suppression activities and quarantine procedures. The program has succeeded in containing witchweed and eradicating it from 7 counties. Complete eradication of the pest from the United States is now possible due to new technological developments. The elimination of the program at this crucial time would be economically unsound and have disastrous consequences. Technology developed by the U. S. Department of Agriculture to eliminate witchweed are not adapted for use by the grower. State regulatory agencies do not have the funds nor trained personnel to conduct a similar program. Exterior quarantines by noninfested states and foreign countries of all commodities and equipment capable of spreading the pest would result.

The value of regulated commodities in the infested areas exceeds $500 million. Without a federal quarantine program, multiplication and spread of the weed out of the area could not be prevented. Witchweed is a threat to the major corn growing areas of the United States. The additional cost to farmers to control witchweed would be $15-$20 per acre and so could total over $1 billion annually. A ten percent crop loss could be expected even with treatment. It is imperative that base funding for the witchweed program plus additional funding for eradication be made available.

STATEMENT

On behalf of the citizens of North Carolina and the North Carolina Department of Agriculture, I hereby submit the following written statement in support of the continuation of the U. S. Department of Agriculture's Witchweed Program for Fiscal Year 1983.

Witchweed is a parasitic weed that attacks corn, sorghum, sugar cane, and many grassy weeds. It can reduce yields by 50 percent, doing its damage underground by attaching to host roots. It was first found in the United States in the eastern part of North Carolina in 1956 and subsequently in 38 counties of North Carolina and South Carolina - its only known occurrence in the western hemisphere.

The state and federal governments reacted to the discovery of this pest by establishing quarantines in 1957. U. S. Department of Agriculture personnel regulate movement of commodities and machinery that can spread the pest. Survey records are kept on every known infested field. The program has succeeded in containing witchweed within the same general area of discovery and in eliminating it from seven previously infested counties.

In spite of these successes, funding for the program was not included in the USDA-APHIS portion of the federal budget for Fiscal Year 1983. One or both of the following reasons were given for this action:

1. The pests are below economically damaging levels; or
2. States have the capability to undertake effective actions without federal aid.

These points are not valid. Economic damage has been reduced, but only by the use of USDA developed control measures and containment activities. If USDA involvement is ended, we can expect a great increase in multiplication and spread of the weed and to again observe economic damage. North and South Carolina growers and regulatory agencies are not able to undertake effective control actions. The usual methods of pest control simply are not effective against witchweed. No resistant varieties of corn have been found. Conventional herbicides applied at the usual times are not effective (eg. no preplant-incorporated, pre-emergence-surface-spray-at-planting, or postemergence-before-layby herbicide is effective against witchweed in corn). Technology and techniques developed by the USDA to eliminate witchweed are not adapted for use by the grower. During the developmental processes, it was assumed that the USDA eradication forces were to be the primary users of the techniques developed. Everyone foresaw eradication and a gradual reduction of the program, not the approach of eradication then abrupt termination. Hence, there was no effort to develop grower oriented treatments and methods. Some very effective herbicide and herbicide combinations are labeled for use only by USDA personnel only for witchweed control - the grower cannot legally use them. To apply herbicides postemergence after witchweed emerges in corn taller than five feet, specially adapted high clearance rigs are required. Certain soil fumigants for special treatments are 80-100 percent effective, but application costs are $800-$1000 per acre. Costs to apply ethylene, which stimulates seed germination in the absence of a host, may exceed $30-$50 per acre. Many other treatments to prevent witchweed buildup do not provide protection to the current year's crop so growers will not spend money for applications (for example, use of herbicides to control grassy weed hosts in nonhost crops, noncropland, and idle fields; herbicides around building sites; granular herbicides applied off season; and effective but toxic herbicides such as paraquat).

Termination of USDA involvement in the witchweed program would be a regulatory nightmare for the states. APHIS stated in a recent notice to State Regulatory Officials that it is initializing procedures to revoke the domestic quarantines on witchweed. When this happens, the Carolinas would have to assume responsibility for conducting a strong quarantine and certification program before articles capable of moving the pest could be traded in national and international commerce. Survey and containment activities would have to be strong components of the total quarantine program as certification of commodities is based on knowledge of where and to what degree witchweed occurs. A Carolinas operated program would require about $5 million per year, the hiring of an additional 72 full time plus 200 seasonal personnel, and the additional arrangements necessary for contractual obligations for control operations. Commodities such as peanuts, sweet potatoes, Irish potatoes, nursery stock, cucumbers, watermelons, other vine crops, soybeans, corn, hay, peppers, etc., would have to be certified before they could be moved out of the regulated areas. The states would also have to regulate equipment sales yards, outdoor storage and shipping areas, and shipping containers such as bags, boxes, and crates. USDA personnel are trained, in place, and handle all these activities at the present time. The states just don't have the funds nor the trained personnel to take over this job. As a result, noninfested states and foreign countries will most likely establish their own exterior quarantines in regard to the movement of commodities capable of spreading the pest. This could have disastrous effects on the Carolinas. The value of regulated commodities just in infested counties alone exceeds $500 million per year. As witchweed spreads, buffer areas beyond the presently infested areas would be incorporated into exterior quarantine regulations. It would be a matter of time before the bounds of the infested area would expand to other parts of the United States. Witchweed is a threat to all corn growing areas of the United States, as it can grow and reproduce under climatic conditions similar to those in Ames, Iowa. The number of acres of corn, sorghum, and sugar cane in the United States that can potentially be infested with witchweed is approximately 80 million acres. Additional costs to control witchweed beyond those incurred in normal weed control practices in these crops would be $15-$20 per acre for a total of $1.2 billion per year (using worse case analysis). One could still expect a ten percent crop loss even when such chemical control is used. Once these states became infested, they would have the same problems as the Carolinas with noninfested states and foreign countries imposing restrictions on commodities and equipment capable of spreading witchweed seed.

It is vitally important that funding for the program and USDA involvement be continued. Under the present USDA based program, progress has been made towards reducing the level of the pest in the Carolinas. It is believed that approximately half of the regulated acres are free of witchweed and hopefully can be released based on negative survey results. Now more than ever there is great potential for eradication of the pest from the United States. Until now, this has not been completely feasible for several reasons:

1. The elusiveness and persistence of the seeds in the soil (a single plant can produce 500,000 seeds; seeds are microscopic in size and can survive 20 years in the soil).

2. Lack of completely effective control weapons.

3. Lack of adequate funding to wage an all-out assault on the parasite.

The hope of eradication has been encouraged to a great extent by recent technological developments. Any additional funding beyond the present base level can be applied towards eradication. Despite a benefit/cost ration in favor of eradication over containment, the Office of Management and Budget of the Federal Government has not placed eradication in a high priority position to ensure this funding. The state, federal, and farmer participation structure is presently in place, the technology now exists, and a comprehensive federal/state eradication plan has been developed to achieve this goal. To end federal involvement now would be economically unsound - a giant step backwards in our fight against witchweed - a setback from which we will not be able to recover.

PREPARED STATEMENT OF DWIGHT SPULLER

CARR CREEK NURSERY

Thank you, Mr. Chairman. I am Dwight Spuller and I am chairman of the North West Michigan RC&D Council, as well as legislative representative of the four RC&D Councils in Michigan. RC&D areas in Michigan cover over fifty percent of the land area of the State, as well as most of the water area in Michigan.

For many years rural America waited for a rural development program that would allow them to develop their natural resources in a manner that would improve the environment in their communities while providing facilities for visitors and tourists that contribute to the betterment of the local economy and improve the productive capacity of the land in their areas. Unfortunately, none of these programs worked, perhaps partly because they were directed from the top instead of looking to local people for direction. A considerable amount of time, effort and funds were spent on these programs, to no avail.

When the RC&D program was conceived by the Soil Conservation Service, it gave those of us in local government an opportunity to help in the planning and completion of projects that we knew were going to protect our natural resources while adding to the economy and well being of our communities. People of the community were aware of the needs and the problems that they are faced with. They know the need to protect the natural resources and to improve the economy. The concern of local governmental officials for our natural resources is very gratifying to those of us who have the responsibility to conserve our resources.

We are deeply concerned with the attempt to phase out RC&D areas. Our experience has proven to us, that the RC&D program has been the most successful rural development program devised, to date. The fact that it is a program completely under local direction, that all proposals originate locally by representatives of both private and public interests, that they are projects that reflect the needs for protection and orderly development of our natural resources, that the benefits derived from projects is so visible and that local people are so enthusiastic in their support of this program makes it preposterous to think that any government should want to discontinue it.

We can not say enough good things about the Soil Conservation Service and the job they have done in coordinating the work in the RC&D program. They have developed local leadership, established working relations between all units of government, prepared projects for completion and obtained financial support for projects. Their ability to bend to the wishes of local or state government officials and still maintain features that will insure the continued use of the project without any deterioration is a tribute to their dedication to the conservation of our natural resources.

We are encouraged by the inclusion of the RC&D program in the 1981 Farm Bill. We agree with the evaluation process and that the finding that any RC&D area is not fulfilling its stated objectives should not recieve further assistance. We also agree with the appointment of a policy board that could provide the direction of the program. We think the five year evaluation is good. While we are sure that RC&D areas, for the most part, have proven themselves capable of fulfilling their obligations, we cetainly do not object to a further appraisal.

We have met the criteria that is defined as essential elements to an area plan. We have in operation erosion and sedimentation projects that are protecting both public and private lands by working with private landowners, County Road Commission, County and Township and City park commissions and State and Federal agencies on streambank and lake front problems. Water management projects proposed and completed include agricultural drainage and irrigation. Disposal of waste water from fruit packing plants and design of water conserving irrigation systems are examples of water management projects. Recreational development projects have been one of the most desired projects, and have done much for the economic development of the area. Two projects in public parks have not only protected streambanks, but have made possible-an over 2 million dollar addition to local businesses through a salmon fishing program. Public facilities improvements have been mostly concerned with establishment and improvement of public recreation facilities that have attracted many more tourists to the area.

The Forestry Program has been one of the most active in Michigan. Full utilisation of wood products as an energy supplement have had a high priority. Marketing and management opportunities are presented to landowners through technical help provided by cooperative actions of the Forest Service, SCS and Michigan Department of Natural Resources. Presently we are completing a Prime Forest Land Identification Project which will identify our best forest land in over 50% of the states land area. This project is being funded by the Forest Service, Michigan Department of Natural Resources, with the assistance of several Soil Conservation Districts. Federal funds for RC&D projects are matched by almost 10 to 1 by State and Local funds. This does not include the contribution made by local and area Council

Members, who contribute their time and in many instances their own funds in order to make this program successful.

To place the RC&D program under the umbrella of the Regional Planning Commissions would be a serious mistake. It has been our experience that Regional Planning Commissions are more concerned with urban problems and have very little interest in natural resource management.

We are indeed skeptical of the objectives of those who have so consistently advocated the elimination of the RC&D program. Over the years we have heard that there could not be a successful relationship between the Federal and Local governments. The Soil Conservation Service and Soil Conservation Districts have proven this to be entirely incorrect. RC&D areas have even expanded this concept by enlisting a broader sense of cooperation at the local level. We concur in the recommendation of NACD that the RC&D program be funded at 50 million dollars for 1982-83.

There is a continous flow of project proposals to our area councils. Funding at this level will allow us to meet most of the requests from our local councils and allow us to keep faith with those who so appreciate and support the RC&D Program.

United States Senate
WASHINGTON, D.C. 20510

April 5, 1982

The Honorable Thad Cochran
Chairman
Subcommittee on Agriculture
Committee on Appropriations
1320 Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Thad:

In a recent hearing before the House Agriculture Appropriations Subcommittee Mr. William Temple testified on behalf of Pickle Packers International. I would appreciate having his statement placed in your hearing record on the FY 1983 USDA research budget. I hope his proposals are favorably considered by your committee, and thank you for your consideration in this matter.

Sincerely,

Don Riegle

Donald W. Riegle, Jr.

PREPARED STATEMENT OF WILLIAM TEMPLE

VLASIC FOODS, INC. (AGRICULTURAL DEPARTMENT)

Observations of Principal Witness, Mr. William Temple (Agricultural Department, Vlasic Foods, Inc.), Saginaw, Michigan behalf Pickle Packers International, Inc. (a trade association for the makers of pickled vegetables of all kinds with voluntary participation representing 87 percent of the tonnage in North America and members in a total of 21 nations) on occasion of April 1, 1982 2:00 p.m. Hearing, Room 2362 of the Rayburn Building, U.S. House of Representatives Agriculture, Rural Development, and Related Agencies Subcommittee on Appropriations.

Committee hearing time is precious. We are presenting our thoughts in quick outline form.

1. We hereby express our extremely grateful appreciation to this Committee for the existence of Federal Agriculture Research and your supervision, guidance and attention. Ours is a mostly local and regional business. We are involved in small specialty crops such as onions, peppers, cauliflower, okra, cucumbers, carrots. These crops provide additional cash revenue opportunities for growers. Over the years we have developed a state/federal/industry team approaching problems that require fundamental and applied research in a dozen professional scientific disciplines. These are problems larger than any single one of us can solve. We are ourselves as individual operators and through our association investing in this team research program. We contribute tractors, labor, money, specialized recording and other equipment, shop personnel, transportation of equipment, trial plots, etc. in this team effort to solve problems that help growers, processors and consumers alike.
2. We also are vitally interested in the preservation of the Federal Agricultural Research program for all the same reasons that you already are well aware. We deplore the fact that in the past Federal Agricultural Research has suffered difficulties with personnel ceilings, reduction in force, gradual aging of its professional scientific membership and the inherent problems in attracting new, bright professional scientists to a system that has few openings, a difficult recruitment system, etc. Even so the Federal scientists that we work with are operating with great skill and creative productivity. We cite as sort of a "show and tell" three brief examples of current programs in which we are investing and vitally interested:
   - a. A third generation mechanical harvester using a "threshing" principle as opposed to "pinch off" rollers. This brilliant concept was developed by two USDA agricultural engineers in succession and operating at the station at Michigan State University. We attach an easy to understand diagram of the old and the new principle and on the reverse side the tables showing recovery of cucumbers compared to the present system. We estimate this could save a minimum additional $100.00 per acre of the fruit that is already in the field but is being lost under

present harvesting systems. And, with certain other systems we are now developing using all female varieties and artificial pollination the total per acre production offers an even greater potential. This is a team effort requiring plant breeders, horticulturists, entomologists, agricultural engineers and practical farmers.

b. At the USDA crops research station at the University of Wisconsin, carrots, onions and cucumbers are being developed. New breeding material has already been released to the commercial seed trade. Important new disease resistant varieties and vastly improved yield characteristics are in the pipeline. We offer some seed packets of carrots and cucumbers ideal for the home gardener as well as for commercial processor. We are concerned about philosophies that may be gaining foothold in the Department relative to the new fad of cellulor biology and genetic engineering. We are just as interested in this and are promoting this ourselves. However, for those who believe that plant breeders can be retired let us remind ourselves that if a new genotype results from genetic engineering, that still has to be incorporated into a practical commercial variety. This requires a plant breeder. For those who believe that the commercial seed trade can pick up and maintain the vegetable seed breeding program, let us be reminded that the current high investment and high interest by commercial seed trade firms now being merged into multi-national firms some of whom have a goal of gaining control of the food chain may lose interest in a few years. The return on investment in this field of vegetable seed production is not that rewarding. Will we have to start up all over again with nothing in the plant breeding pipeline, etc. On this point we need the wide input of state and federal plant breeders. Commercial seed firms and individual food processors are relying on the basic material state and federal research is supplying. The head office of their firms may not always know it. Let us not be deceived as to where the real basic work originates.

c. At the U. S. Food Fermentation Laboratory at Raleigh, N.C., we are involved in another state/federal/industry program that is extensive. A new Pilot Plant operation is just getting underway. This combines technology developed in more than 40 years of cooperative research. It is exciting. This offers these potentials in which we are investing equipment and money in a five year program. Sharply reduced sodium, reduced effluent treatment requirement, recycling of brines, reduced time of fermentation from 90 to less than 3 days, improved product quality, reduced energy requirement. Note that these opportunities fit F&DA, Energy Department and EPA recommendations. We think this Pilot Plant closed tank anaerobic system will open a whole new high technology for preserving many vegetables in a way appealing to consumers and offering a system to keep food processing costs down.

In conclusion, we again express our appreciation to the Committee for battling for a fair share of the budget to be invested in agricultural research as a vital supporting role to the American economy. Thank you for the opportunity to be heard.

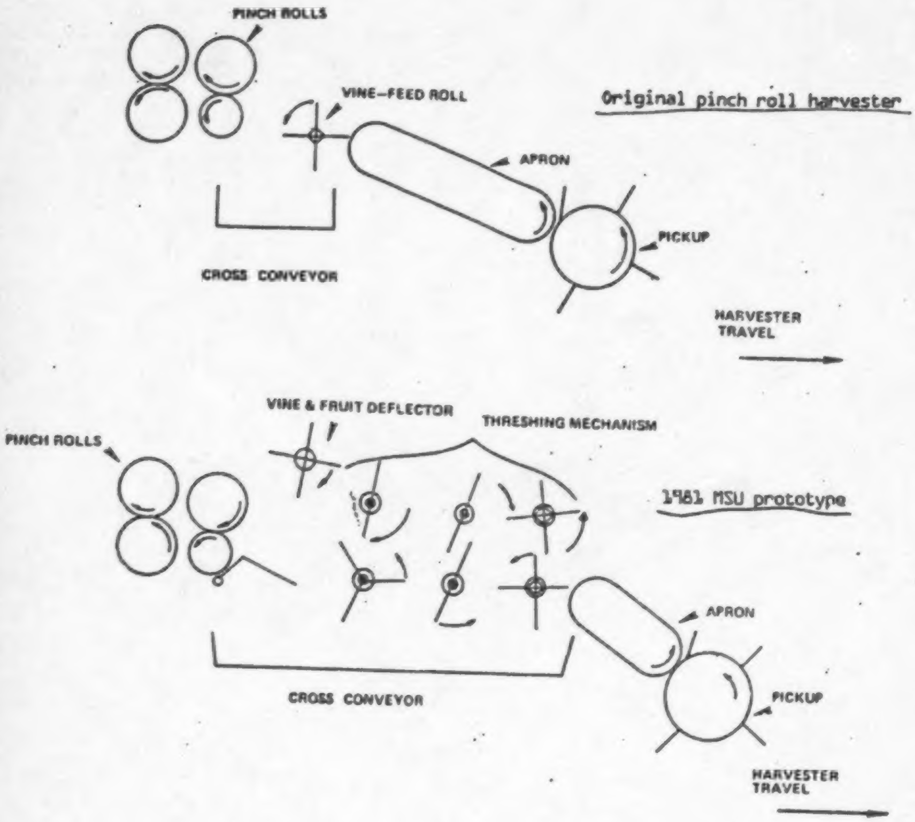

PINCH ROLLS
VINE-FEED ROLL
Original pinch roll harvester
APRON
PICKUP
CROSS CONVEYOR
HARVESTER TRAVEL
VINE & FRUIT DEFLECTOR
THRESHING MECHANISM
PINCH ROLLS
1981 MSU prototype
APRON
CROSS CONVEYOR
PICKUP
HARVESTER TRAVEL

Figure 1. Cross sectional views of the original and MSU prototype harvester.

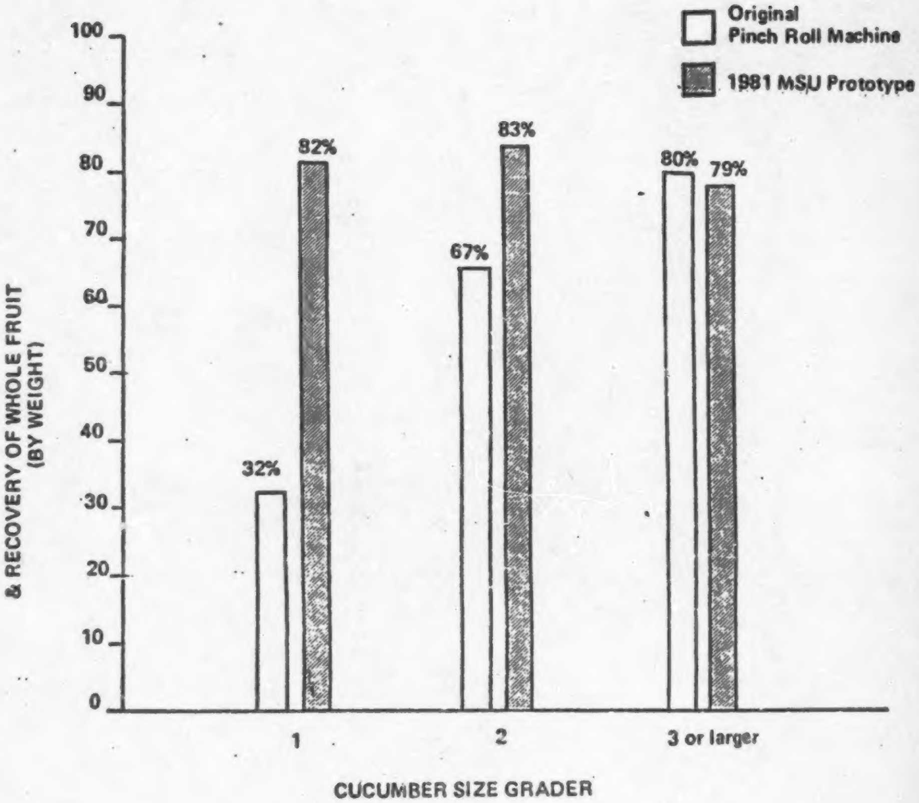


Figure 2: A comparison of the recovery versus fruit size for the pinch roll and MSU prototype harvesters.

PREPARED STATEMENT OF JOHN W. BROWN
PRESIDENT
SEE-KAN R. C. & D. BOARD

This is a plea for your help in securing adequate funding and operation of a Resource Conservation and Development (RC&D) Program for fiscal year 1983. We have received the word on phase-out of the RC&D Program in 1983 from Washington staff members of the Soil Conservation Service.

I speak for a large number of people in southeast Kansas when I tell you there is a need and desire to keep the RC&D Program alive and well. In the few years our See-Kan RC&D Board has been operating, we have helped local people establish a furniture manufacturing plant with more than 50 new jobs in the small town of Erie. We have sponsored the formation of a non-profit export-exchange company which is developing into a viable exporting tool for both agricultural products and manufactured goods. We have spent time, money, and effort in promoting tourism in our part of Kansas. This is catching on after several years with counties adopting measures to help finance the promotion of tourism, thereby strengthening our local economy.

We have been very successful in helping local people plan and secure financial help in building flood prevention systems to protect property and lives. The several flood control dams that have been built are paying good dividends on our investment each year.

I could go on with industrial development, park and recreation development, mine land reclamation, community facilities such as water supplies, distribution systems, sewers, and community buildings, erosion control, and many more, but I believe you know we have provided leadership that has made a big difference in rural development of our entire area.

We need RC&D to continue providing leadership in years to come. We need the RC&D funding to keep our projects active and moving. We are not asking for a lot of dollars. Only enough to provide the help that is desperately needed in our rural and small town areas.

My RC&D board asks that you support an appropriation of $50 million for RC&D in 1983 with provisions that those funds not be used to phase-out the program. We also need language that will cause USDA to implement the legislation passed by Congress in 1981 and signed into law by the President establishing a Resource Conservation and Development Program through 1986.

Thanks so much for listening to me. I do need your help and would appreciate hearing from you regarding my requests.

PREPARED STATEMENT

Southern Maryland
Resource Conservation & Development Board

I would like to take a few minutes to tell you about the Southern Maryland RC&D Area, why the RC&D program is a success in our area, why it should be retained and why it should be funded.

As I said, the RC&D program has been a great success in Southern Maryland. We have been in existence since 1969 and were formally authorized by the Secretary of Agriculture in 1974. Since that time we have grown as an organization of local people representing the Tri-County area of Calvert, St. Mary's and Charles counties.

We have five organized committees representing agriculture, forestry, seafood, recreation, and information and education. The committee members, like their counterparts on the Board, give of their time without compensation expecting only to improve the quality of life in our area. Two examples of successful committee projects are the Wood Cooperative and the Tri-County Natural Resources Summer Camp. The Forestry Committee initiated the Wood Cooperative to match landowners who want to buy wood with landowners who have wood to sell. The Wood Cooperative has been in operation for three years and has grown to 150 members. It has evolved into an independent non-profit organization that also provides related forest product services. The Information and Education Committee developed a Tri-County Natural Resources Camp for students entering the tenth and eleventh grades. The camp is supported financially by private business, staffed by professionals in the field of natural resources as well as lay people, and attended free by students selected by committees in each of the three counties. The development of this camp alone, Mr. Chairman, has involved the interaction of three county governments, three soil conservation districts, a regional planning agency, the State forestry department, the Soil Conservation Service, the RC&D Information and Education Committee and nearly thirty private businesses.

Neither of these projects involved the expenditure of Federal RC&D dollars for construction. But RC&D took the lead in providing the expertise or finding it to provide the support to the local people. There are two principal parts to the RC&D program. This one provided planning and local support.

The other half of RC&D, and also a large success in Southern Maryland, is financial assistance for specific projects. Since 1974, thirteen projects worth 1.2 million dollars have been completed. All these projects were done under budget, on schedule, and in at least four cases directly protected the safety and welfare of school children in Southern Maryland. When I say this, I am referring to severe, forty foot deep gullies caused by failed storm drainage systems on school grounds. They were re-designed and replaced with RC&D financial assistance and Soil Conservation Service engineering assistance.

RC&D should be retained as a program. We, like other RC&D areas, have utilized to the fullest the RC&D program in Southern Maryland. Our citizens know who we are and what we can do. We serve in an advisory capacity on a host of county, tri-county, regional and state committees and work groups. In short, Southern Maryland RC&D has served the area with the original concept of the RC&D program.

The RC&D program should continue to be funded, Mr. Chairman. We have developed a planning, engineering assistance and construction need for the future. We have applications from seven sponsors that will require $700,000 in RC&D funds. These monies will be matched by local government for a projected commitment of 1.4 million dollars over the next three years.

We have work to do, Mr. Chairman. You, the members of the Senate, gave us the authority in the 1981 Farm Bill to move ahead. Don't let the mandate you gave us be taken away now by lack of funding.

PREPARED STATEMENT OF PAUL W. HUNTER
PRESIDENT

SOUTHWESTERN STATES R. C. & D. ASSOCIATION

I am Paul Hunter, a farmer in Labette County, Kansas, where I have been a Soil Conservation District Supervisor for thirty-one years, an RC&D board member for thirteen years, and President of Southwestern States RC&D Association for two years.

The 1981 Farm Bill (P.L. 97-98, Subtitle H, Section 1530, Title XV) states "The Secretary (of Agriculture) shall establish a resource conservation and development program . . ." The administration, in its FY 1983 budget proposal has chosen to totally ignore this mandate from Congress and has proposed an appropriation of $10.5 million for the RC&D program, all of which is to be used to phase-out the program by the end of the 1983 fiscal year. Surely this is not the action the Congress intended when it passed the RC&D legislation in December 1981.

Secretary of Agriculture John R. Block, on February 2, 1982, transmitted to the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture a progress report on the formulation of the National Rural Development Strategy called for in the Rural Development Act of 1980. In this report Secretary Block states the need to improve the economic well-being, improve business and employment opportunities, health care, education, housing, and transportation, strengthen the family farm and maintain and protect the environment and natural resources of rural areas. These are exactly the activities RC&D's have been engaged in since their beginnings. Throughout the report the Secretary stresses the need for local people, individuals, organizations, governmental entities, and the private sector, to work together to identify their problems and rural development needs. Here again the Secretary is describing exactly the type organization we already have in our RC&D boards and councils. Does it make any sense whatever to phase-out the RC&D program and then develop a strategy for rural development which calls for just such organizations as our RC&D boards and councils to carry out that strategy? Surely the Senate and House will insist on continuance of the RC&D program and prevent this foolhardy RC&D phase-out action by the administration.

On March 2, 1982, the House Committee on Agriculture recommended to the House Budget Committee an appropriation of $26 million for the RC&D program for FY 1983. This equals the 1982 appropriation. This figure we consider a very minimal amount which would keep the doors open to most of the present RC&D offices and keep most of the present personnel on the job, but it is certainly not adequate to fund a strong, viable program.

In answer to a recent survey on RC&D budget needs conducted by the National Association of Conservation Districts, state conservationists from over the nation indicated that 121 full-time and 57 part-time coordinators along with only 17 full-time and 90 part-time clerks serve the present 194 RC&D areas in the country. The survey also shows 60 RC&D offices have been closed or combined with other offices because of budget restrictions. My own observation in both Kansas and Missouri is that in an RC&D area without a coordinator, local interest falls off, activity ceases, and the project dies. As we see the need a very minimum staff of one full-time coordinator and one full-time clerk is necessary for each RC&D area. This minimum staffing would require funding much above the present $26 million level.

At its annual meeting in Fort Smith, Arkansas, on February 26, 1982, the Southwestern States RC&D Association, made up of RC&D areas in Missouri, Arkansas, Louisiana, Texas, Oklahoma, and Kansas unanamously adopted a resolution calling for a FY 1983 appropriation of $50 million for the RC&D program. This is in support of the National Association of Conservation Districts request for a $50 million RC&D appropriation. This is the amount we estimate is necessary for a strong, viable program in todays economy. The recent survey on RC&D budget needs previously mentioned asked state conservationists the question "If you were to be fully operational, what would be a realistic RC&D budget projection for your state during FY 1983?" Their answers totaled 58.8 million dollars. This figure certainly supports our request for an appropriation of $50 million.

We also request the Congress to include in the appropriations Bill specific language directing that none of the funds appropriated for RC&D are to be used to phase-out the program. Such language appears necessary in view of the repeated efforts of present and past administrations toward program phase-out.

We request this action by your sub-committee, the full committee on appropriations, the Senate and the House to keep the RC&D program alive and functioning in order to accomplish true rural development throughout rural America.

Thank you for your consideration of these requests.

PREPARED STATEMENT OF PHILLIP ALAMPI

SECRETARY

NEW JERSEY DEPARTMENT OF AGRICULTURE

The following comments are respectfully requested for your committee's consideration in its review of the proposed budget for the Department of Agriculture. These are listed in order of importance as viewed from our perspective.

Forest Service - Pest Management

Since the early 1970's, the New Jersey Department of Agriculture has participated with cooperating local municipalities in the suppression of gypsy moth, a serious defoliator of forest, shade trees and ornamental plants within residential forested communities. The Forest Service has provided 50 percent cost-sharing funds for reimbursement to participating communities. In 1982, that support was reduced to 12.5 percent. The 1983 budget proposal provides no funds for cooperating states.

During 1981, a most severe gypsy moth outbreak defoliated 13,000,000 acres throughout the northeast. A record 800,000 acres were defoliated in New Jersey. Such large outbreaks impose a difficult burden on forested area residents unable to cope with such a ravaging insect. Shade trees defoliated two years in succession can result in 20-60 percent tree mortality, primarily within the oak species. Conifers stripped once will result in death. Dead trees in forested residential communities devalue properties and impose tree removal costs. High populations of crawling caterpillars dropping from trees on to picnic tables, wash, and childrens play areas provokes great hysteria and emotional problems. No insect has created the socio-political problem as that of the gypsy moth.

Private citizens are not equipped to treat 75 to 100 foot trees. During an outbreak, their only defense is to hire a private commercial applicator at costs of $75 to $150 for treatment of trees immediately adjacent to their homes. Most often the demand is so great that applicators are not available for treatment at the appropriate time.

Since 1970, the New Jersey Department of Agriculture has developed a successful integrated pest management program cooperating with the local government in the suppression of gypsy moth within those areas expecting severe defoliation. The program has operated financially on the basis of 50 percent funding by the Forest Service, 25 percent state government and 25 percent local municipality. This Department provides for the survey, monitoring and supervision of the spray application. The State of New Jersey bids the spray materials and application to reduce costs and improve coordination. Without coordination, improper application of pesticides may result in complete defoliation of trees, excessive tree mortality and the placement of increased chemical loads into the environment - a potential risk to public health.

APHIS

The program and budget cuts, program changes and organizational moves in basic animal and plant protection programs can have both short and long-range serious impact on the states. Relative to animal health, the budget reductions in brucellosis and import-export inspection can only increase the vulnerability of the northeast to the reintroduction of brucellosis or introduction of exotic animal disease. Concerning plant health, the budget reductions which lead to the proposed abolishment of federal quarantine for plant pests, disease, and exotic weeds can only create chaotic state relations. Finally, the termination of APHIS support for state biological control programs is totally counterproductive to the development of critical new approaches to pest control.

Accordingly, it is recommended that the budget reductions in these areas, fundamental to the basic health of our agricultural industry, should be wholly or at least partially restored.

Farmers Home Administration

Though the FmHA farm ownership and operating loan programs are budgeted for a slight increase, the needs for these funds are growing rapidly. The cost of credit through normal channels is already critical as we face a new production year. Without further increases in FmHA funds for agriculture, severe financial conditions will only intensify.

FmHA farm operating loans should be increased to help meet critical financial conditions throughout the country.

Marketing Programs

The expansion of Foreign Agriculture Service marketing programs, as included in the budget, is absolutely appropriate. Market expansion and development must be accelerated if our agriculture is to regain its positive momentum.

Strong support for this budget increase is recommended.

Soil Conservation

With the growing concern over the status of our natural resources in agriculture and their relationship to future national and world food needs, reducing the investment in these basic resources appears to be a decidedly inappropriate action. The momentum of conservation must be maintained and further developed. This is especially true for the basic conservation operations which directly relate to food production capability now and in the future.

Though there is a slight budget increase for conservation operations, it is not sufficient for program maintenance, let alone helping to meet growing operational needs. Further, the issue of targeting raises concerns since it implies reallocating resources rather than adding budget resources to deal with the special targeted problem areas.

Lastly, the combination of Agricultural Conservation payments with other cost-sharing programs is acceptable. However, the budget reduction to the 25 percent level will absolutely deter farmers from investing in conservation practices at a time of declining farm income.

Thus, it is suggested that support be given to the new program of conservation grants while replenishing the budget levels for conservation operations and cost-share conservation payments.

Child Nutrition
Commodity Procurement (Assistance)

There is a planned decrease in funding for the child nutrition, commodity procurement (assistance) which channels commodities into our (surplus) state commodity distribution program. It would appear with the economic problems facing agriculture especially related to the over supply of various agricultural products, that budget cuts at this time are extremely inappropriate. Rather, such funds should be increased or restored to prior levels in order to assist in the overall reduction of stored commodities to help improve free market prices.

In conclusion, I trust this information will be of assistance to your committee.

PREPARED STATEMENT OF CLAIR BEEMAN

SUNFLOWER R. C. & D. AREA COUNCIL

The Sunflower Resource Conservation and Development (RC&D) Area Council is asking your help and support in funding the RC&D program at a reasonable level in FY 1983. We request that you consider a minimum of $26 million.

The RC&D program in our 7-county area in southcentral Kansas has been the most successful rural development program ever. It is a vehicle to get things done.

Our council is supportive of the efforts underway to reduce federal spending, but we feel priority should be given to maintaining the RC&D and the soil and water conservation programs.

Please give this request your utmost consideration.

PREPARED STATEMENT OF SAM E. CURL

DEAN, COLLEGE OF AGRICULTURAL SCIENCES

TEXAS TECH UNIVERSITY

SUMMARY

USDA-AR Plant Stress and Water Conservation Cooperative Research Funding and Construction Authorization for the Plant Stress and Water Conservation Laboratory in cooperation with Texas Tech University and the Texas Agricultural Experiment Station.

SUMMARY OF ACTIONS TO DATE

In fiscal year 1977, Congress appropriated $100,000 to initiate a feasibility study to determine the most appropriate size, program and location for the Plant Stress and Water Conservation Laboratory initially identified in Senate Document 59. That feasibility study was delivered to the Congress in March, 1978. In fiscal year 1979, Congress appropriated $800,000 to initiate planning for the research program and proposed facility in cooperation with Texas Tech University at Lubbock. The research program plan, the facility program amendments and the architectural plans and specifications for Phase I of the laboratory have been completed. A cooperative USDA-AR research unit is in place in Lubbock occupying temporary space on the campus of Texas Tech University and at the Texas Agricultural Experiment Station site north of Lubbock. In fiscal year 1980, Congress appropriated $200,000 to initiate basic research, $400,000 for the research program for fiscal year 1981 and $450,000 in fiscal year 1982. We are pleased to know that the Executive Budget fiscal year 1983 recommends the appropriation of an additional $225,000 to the program.

SPECIFIC ACTION REQUESTED OF THE COMMITTEE

It is proposed that Congress continue to recognize the urgency of the research indicated by appropriating funds at the level of $550,000 ($225,000 in Executive Budget + $325,000 Congressional add-on) over the current budget allocation to this project to continue and strengthen the plant stress and water conservation research program. These funds are to be directed for cooperative research in plant stress and water conservation at Lubbock, Texas involving USDA-AR, Texas Tech University and the Texas Agricultural Experiment Station. The funds will be used to increase the research effort and to provide a core of scientists which will form the base for a more comprehensive plant stress and water conservation laboratory which has been planned at Lubbock, Texas.

We further request the Congress to appropriate funding in the amount of $600,000 for completion of architectural and engineering planning for Phase II of the proposed Plant Stress and Water Conservation Laboratory and $25,000,000 for construction of the laboratory. This laboratory would be constructed on a fifty-four acre tract of land on the campus of Texas Tech University. The Board of Regents of Texas Tech University has authorized the lease of this land to the federal government for the purpose indicated. While recognizing the urgency for reduced federal spending, we believe the investment in this facility is one in which very visible and tangible benefits will be realized within a decade. The full thrust of the research program cannot be realized until the highly specialized facilities included in the laboratory are in place and ready for use by the scientists.

The proposed laboratory represents the most advanced architectural and engineering technology available and will be energy efficient and cost effective. An estimated savings

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The proposed laboratory represents the most advanced architectural and engineering technology available and will be energy efficient and cost effective. An estimated savings of approximately $3,000,000 will be realized if the facility is fully funded in fiscal year 1983. This is not to mention the time saved in accelerating the full scale buildup to attack the urgent problem. Construction cost escalation will likely continue so that a delay beyond fiscal year 1983 would represent a significant increase over the $25,000,000 projected if construction were delayed past December, 1982.

INTRODUCTION

Mr. Chairman, I greatly appreciate the opportunity to appear before the Committee today on behalf of needed agricultural research in the area of plant stress and water conservation. This vitally needed research is encompassed in the comprehensive nationwide research mission of the Science and Education Administration of the United States Department of Agriculture. An intensified research program will implement the recommendations of the Plant Stress and Soil Water Conservation feasibility study prepared by the Science and Education Administration, U. S. Department of Agriculture.

The background setting for the problem which the proposed research addresses is found in Senate Document 59, the feasibility study conducted by the Science and Education Administration of USDA in 1977, and the statement of Texas Tech University submitted for the record before this committee on March 26, 1979. We will not repeat this information, as we believe the record is replete with scientific and economic documentation which describes the conditions of the region and the research required to seek viable solutions to a complex set of critical problems confronting agriculture and natural resource conservation throughout the Great Plains, the semi-arid southwest and arid and semi-arid lands throughout the world. Water availability and quality continue to be limiting factors affecting the growth and cultivation of existing crop species. This underscores the urgent need for new varieties of drought resistant food and fiber crops for areas where non-rechargeable groundwater reserves are declining, energy costs are increasing, and natural precipitation--even though limited--could be used more efficiently.

The national thrust to seek out all viable strategies for conserving energy in agriculture has amplified the urgency to seek more energy- and water-efficient strains of plant materials and improved soil and water management practices. The need for a comprehensive, multidisciplinary, long-term, basic science research program is obvious. Texas Tech University has taken the lead to work to develop a cooperative program with the U. S. Department of Agriculture Science-Agricultural Research, the Texas Agricultural Experiment Station, agricultural colleges and universities throughout the region, agricultural producers, the agribusiness industry and private research organizations.

BACKGROUND

The key events involving Texas Tech University which have taken place in conjunction with the development of the research program to date are as follows:

1975-1976 Preliminary discussions with officials of the U. S. Department of Agriculture and members of the Congress.

1977-1978 Congress appropriated $100,000 for a feasibility study. The study team concluded that there was indeed an urgent need for a plant stress and water conservation research program and that Lubbock, Texas, was the ideal location for a laboratory facility. A later decision to locate the facility on the campus of Texas Tech University, in conjunction with the College of Agricultural Sciences, finalized the first major step in the development of the program.

1978-1979 Congress appropriated $800,000 for the preparation of a research program plan and architectural and engineering plans for the appropriate laboratory in which to carry out the proposed research. These plans have now been completed for Phase I. The structure will contain about 67,000 square feet of research space and cost approximately $25,000,000 to construct. The facility contains space for twenty-two scientists, with accompanying greenhouses, headhouses, growth chambers and storage units.

The Science and Education Administration in August, 1979, transferred a USDA scientist (plant physiologist) to Lubbock, Texas, to serve as a cooperative scientist working with Texas Tech and Texas Agricultural Experiment Station scientists on environmental stress mechanisms in sorghum and cotton. Texas Tech is providing office and laboratory space for the USDA-AR scientist who, together with Texas Tech scientists, has initiated the research program. In addition, the University provides use of the library, computer and other University facilities as well as extending full faculty privileges to the USDA-AR scientist.

Funding of the Cooperative Plant Stress and Water Conservation Research Program

	Base Funds	Formal Budget Funds	Congressional Add-on Funds	Total Funds
1980	$ -0-	$ -0-	$200,000	$ 200,000
1981	200,000	100,000	100,000	400,000
1982	400,000	50,000	-0-	450,000
1983 REQUEST	450,000	225,000	325,000 REQUEST	1,000,000

RESEARCH PROGRAM

RESEARCH ACTIVITY TO DATE

Through fiscal year 1982, Congress has appropriated a total of $1,050,000 for cooperative research in plant stress and water conservation. Scientists from Texas Tech University, the Texas Agricultural Experiment Station and USDA-AR have initiated studies within the framework of the research program plan developed to guide the orderly, systematic and effective search for the information needed to solve the problems identified in this statement. The research team is making progress in better understanding the relative importance of various developmental and physiological responses of plants to soil water deficits and to atmospheric drought. A substantial amount of research has been initiated in the genetic improvement of grain sorghum and cotton. These crops can be grown in areas of limited rainfall. Research currently underway includes:

Soil-Root-Water Area: Research projects are designed to define the effect of the soil environment on rooting patterns (depth and root density) of sorghum and cotton as related to soil water extraction and water use efficiency. Soil environment is defined as a function of soil type, soil nutrient status and soil water status. These experiments should provide a definition of the ideal root system necessary to exploit the maximum soil volume with the least expense to the plant in terms of non-harvestable dry matter.

Soil-Plant-Atmosphere Area: Research projects are designed to delineate the major factors involved in determining photosynthesis: transpiration ratios of both sorghum and cotton. The role of the physical environment (evaporative demand and soil water supply) and the plant response (stomatal conductance to water and the photosynthetic rate) will be defined. The research is designed to identify the minimum level of leaf conductance necessary to support maximum photosynthetic activity in each specie under a wide range of soil water conditions.

Physiological Area: Experiments are designed to evaluate the utility of certain drought tolerance mechanisms. Of prime concern is osmotic adjustment resulting in turgor maintenance. The effect of increased osmotica on cellular metabolism is unknown, and will be defined with respect to chloroplast function. The major site of stress effects also will be defined as a function of source activity or sink activity. Important sinks include new leaf development, root development and fruit development. At present we do not know whether environmental stress affects the source directly or if the observed response is due to an indirect effect resulting from reduced sink activity. Prior to exploration of genetic variability and genetic manipulation it is essential to define the site of direct stress effects.

Results from the initial studies are extremely encouraging. This work has been conducted using existing Texas Tech and Texas Agricultural Experiment Station space and facilities. This represents a substantial effort and demonstrates an extremely efficient use of the federal and state funds expended. Essentially every state in the Great Plains has devoted some scientific effort toward developing technology to conserve our water resources and utilize that water which is available more efficiently in crop production. However, due to the disaggregation of scientists, large environmental differences between research locations, and the diversity of plant responses elicited by water stress, there appear to be no major breakthroughs on the horizon. A unified research effort toward understanding and resolving the problem is necessary. To accomplish this effort, it will require additional funding, scientists and a highly specialized research facility.

With additional funds appropriated by the Congress, the cooperative research program developed by the U. S. Department of Agriculture-Agricultural Research, the College of Agricultural Sciences at Texas Tech University, and the Texas Agricultural Experiment Station will be fully developed.

MAJOR BENEFITS OF THE RESEARCH PROGRAM

1. A substantial reduction in the energy requirements for the production of quality food and fiber crops throughout the semi-arid southwest.

2. The development of germplasm of major grain and fiber crops which possesses superior resistance to adverse environmental conditions and yet maintains an inherent high yield potential.

3. Development of the basic principles essential for the design of soil and crop management systems to conserve and make available during the growing season greater amounts of precipitation and to enhance the production of more stress-tolerant plants.

4. Maintenance of a high level of agricultural production throughout the Southern Great Plains, thereby preventing (a) the collapse of an important, highly-developed agricultural region and (b) the attendant economic, social and environmental problems which would ensue.

5. A substantial contribution to the national effort to enhance the productivity of American agriculture, thereby increasing the availability of feed grain and natural fiber commodities for sale to foreign markets.

As water efficiency of the key commodity plants is increased through the research program, less irrigation water per unit of crop yield will be required. Each inch of natural precipitation captured and stored in the soil will be used more efficiently. By removing the need for irrigation water, fuel and labor costs associated with irrigation will be eliminated. If the plants perform under dryland conditions at a higher level of efficiency, the farmer's net earnings, assuming reasonable commodity prices, should be favorable. It is projected that the research encompassed by this program would result in a 15% increase in water use efficiency.

THE PROPOSED LABORATORY

The feasibility study conducted by USDA recommended that a major research effort consisting of a central laboratory and support facilities be located on the campus of Texas Tech University. Three primary research thrusts have been outlined for the Plant Stress and Water Conservation Research Laboratory with specific objectives defined for each thrust. These are as follows:

Thrust 1 - Characterize the dynamics of the soil-plant-atmosphere continuum.

Thrust 2 - Define environmental stress impact on growth, development and yield, and identify mechanisms which aid plants in tolerating or avoiding environmental stress.

Thrust 3 - Define genetic control of stress mechanisms.

CONCLUSION

The research program and proposed laboratory will require a number of disciplinary teams in areas such as soil physics, soil chemistry, soil classification, plant physiology, plant breeding, agricultural engineering, and other allied areas requiring individual scientist input. This level of activity will allow effective and efficient research activity to focus on critical questions relating to problems of plant stress and water conservation. Because of the complexity of the proposed research, and the resources needed to solve these pressing problems, this program will be of long-term nature. As the program emerges as the national focal point for basic plant stress and water research in agriculture, other relevant problems associated with agricultural production in semi-arid regions will be investigated. With the development of the program, the University will be in a position to invite private industry scientists and research support to join the activity.

Congress, in fiscal year 1977, appropriated $100,000 to initiate a feasibility study to determine the most appropriate size, program and location for the Plant Stress and Water Conservation Laboratory initially identified in Senate Document 59. That feasibility study was delivered to the Congress in March, 1978. In fiscal year 1979, Congress appropriated $800,000 to initiate planning for the research program and proposed facility in cooperation with Texas Tech University at Lubbock. Phase I planning is completed. Architectural plans and specifications for the proposed laboratory have been delivered to the USDA-AR. In fiscal years 1980, 1981, and 1982, Congress appropriated $200,000, $400,000, and $450,000, respectively, for cooperative research in plant stress and water conservation.

It is proposed that Congress continue to recognize the urgency of the research program by appropriating funds at the level of $550,000 ($225,000 in Executive Budget + $325,000 Congressional add-on) over the current budget allocation for this project to continue and strengthen the cooperative plant stress and water conservation research program. This will bring the total research funding for FY 1983 to $1,000,000. It is further requested that the Congress appropriate $600,000 for completion of architectural and engineering planning for Phase II of the proposed Plant Stress and Water Conservation Laboratory and $25,000,000 for the construction of the laboratory in fiscal year 1983 on the land provided by Texas Tech University.

Thank you Mr. Chairman, for your consideration of this proposal.

PREPARED STATEMENT OF ROBERT C. KEENEY

DIRECTOR OF GOVERNMENT RELATIONS

UNITED FRESH FRUIT AND VEGETABLE ASSOCIATION

The United Fresh Fruit and Vegetable Association, the national trade association of the fresh produce industry, urges the subcommittee on agriculture to appropriate sufficient funds to the U.S. Department of Agriculture's, Agricultural Marketing Service in FY1983 to allow its Fruit and Vegetable Division to begin the computerization of the market news report system.

The market news service plays an important role in the orderly and efficient commercial marketing of fresh fruits and vegetables in this country. Market news reporters in about 210 field offices gather information daily on supply, demand, prices, and movement of agricultural products. The information is then disseminated usually in written form to farmers and others who are dependent on this information in order to effectively conduct their business.

The market news service gives producers ready access to vital information such as: What is the demand for a particular product? Are prices fluctuating or remaining constant? How much trading is going on? Where? With the closing of these offices, growers, marketers in these areas will be severely hindered in their ability to distribute fresh fruits and vegetables at a price, amount and in the form desired by the nation's consumers.

The modernization of the market news reporting system for fruits and vegetables and ornamental crops is essential if this important marketing tool is to be maintained in the 1980's. Under this new system the information that is now gathered at the field offices will be submitted to a central location and reorganized into a highly readable form. The report will include commodity prices, production, shipping areas, terminal markets, transportation availability, weather conditions, and other related facts. The information would then be either mailed on a regular basis or a subscriber could access the system by using their own computer and receive the reports on an instantaneous basis. Many companies in the fruit and vegetable, and ornamental crops industries already have in-house computer systems, and the majority will acquire them in the foreseeable future.

We estimate that start-up cost will be $300,000 in FY 1983 with savings in subsequent years of about $350,000--a highly cost effective undertaking.

We urge your subcommittee to explore this alternative system with the Department of Agriculture. We fear that the continued erosion of the market news budget without seeking alternative systems of dissemination will eventually lead to the dismantling of this marketing tool. The use of computerization in the market news system will not only save the government money but will provide a service that is more timely and in a more readable form.

The United Fresh Fruit and Vegetable Association is the national trade association representing the fresh produce industry. Our members handle over 80 percent of the fresh produce marketed commercially in this country, and are engaged in all facets of the industry, including production, marketing, and distribution.

We ask that this letter be incorporated into the subcommittee's hearing record on the FY 1983 Appropriations for the U.S. Department of Agriculture.

PREPARED STATEMENT OF TOM KALITOWSKI
CHAIRMAN

UPPER MISSISSIPPI RIVER BASIN ASSOCIATION

The five states of the Upper Mississippi River Basin -- Illinois, Iowa, Minnesota, Missouri, and Wisconsin -- have consistently and vigorously expressed their support for the Small Watershed Program administered by the Soil Conservation Service. Previously, the Upper Mississippi River Basin Commission provided a forum for the five states to discuss mutual problems and coordinate water resource programs with Federal agencies. The U.S. Department of Agriculture was a member of that Commission and contributed significantly to its successes. However, the Commission was terminated on December 31, 1981. The five states have subsequently formed the Upper Mississippi River Basin Association to maintain dialogue and avenues for joint action with regard to water resource issues.

The purpose of the Association is to serve as a regional entity for the coordination of water and related land resources management among all levels of government. It provides a forum for the five states to discuss mutual problems and to collectively articulate their concerns. In particular, the members of the Association are concerned about the Administration's proposed appropriations for the Small Watershed Program.

Large portions of Illinois, Iowa, Minnesota, Missouri, and Wisconsin constitute the drainage area of the Upper Mississippi River. Currently, there are 58 completed Small Watershed projects in the five-state basin area that have made significant contributions to both flood prevention and soil erosion control. There are over 60 additional projects that are currently in various phases of planning or construction. The program's requirements for local sponsorship testify to the importance these projects have to local communities and the basin as a whole.

During its existence, the Upper Mississippi River Basin Commission had always recognized the importance of these Small Watershed Projects to the protection of water and land resources and the quality of life in the basin. The Commission's draft Regional Water Resources Management Plan called for the acceleration of funding for this program. The Commission's Annual Priorities Report consistently articulated the importance of these projects. In the FY 1983 Annual Priorities Report the Commission ranked the Small Watershed Program as a "High Priority" in both the Feasibility Study and Construction categories. Most recently, in accordance with P.L. 95-502, the Commission published and transmitted to Congress the "Master Plan for the Management of the Upper Mississippi River System." The plan discusses the problem of sedimentation and calls for immediate action to reduce erosion rates. Although the Master Plan does not specifically mention the Small Watershed Program, these projects could contribute to the alleviation of this major and pervasive problem.

In summary, the five states of the Upper Mississippi River region have over the years collectively expressed their support for the Small Watershed Program and the states have individually promoted and sponsored specific projects within their jurisdiction. The Upper Mississippi River Basin Association, on behalf of the five states, wishes to reiterate this mutual concern about flooding and erosion in general and the future of the Small Watershed Program in particular. We urge at the very least that funds comparable to those in FY 1982 be made available and that new construction and planning starts be permitted. The Association believes that Federal commitment to this program is of prime importance.

United States Senate
WASHINGTON, D.C. 20510

April 14, 1982

Senator Cochran, Chairman
Appropriations Agriculture Subcommittee
1320 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Thad:

I am enclosing a letter I have received from Dr. Creer, Commissioner of the Utah Department of Agriculture. He thoughtfully details at some length his concerns about proposed cutbacks in the brucellosis eradication and control programs which I felt would be important to you in your subcommittee's consideration of the matter.

Dr. Creer asks that his letter be made a part of the hearing record, and I respectfully request that this be done.

I appreciate your consideration in this matter.

Sincerely,

Jake Garn

Jake Garn

PREPARED STATEMENT OF DR. KENNETH B. CREER

COMMISSIONER

UTAH DEPARTMENT OF AGRICULTURE

The 1981 Federal Budget has appropriated $91 million for the eradication and control of brucellosis. It is projected that by 1985 there will only be $6 million allocated for this vital program. As the Commissioner of Agriculture for the State of Utah and as Chairman of the Animal Health Committee of the National Association of State Departments of Agriculture, I strongly oppose this mass reduction. Such a decrease would be devastating to the Brucellosis Control Program, would open real potential for an increase in disease in animals and would threaten the health and well-being of the human population of this country.

Brucellosis is a disease that has been found in every state of the union and is very serious when contacted by humans. The impact of undulent fever in man was not considered when making the budget cuts. This oversight in the report gives evidence of an unscientific bias in an area that must be addressed for a fair evaluation. The rationale in the report stated the program was a subsidy to the beef and dairy industry. When the threat of human health is taken into consideration, subsidization becomes a mute point. If the federal cutbacks take place as scheduled, the states would have to assume some of the responsibilities for the program. It would be a mistake to impose this on the states.

The control and possible eradication of this disease needs to be administered by one agency which is APHIS of USDA. If this program is passed onto each state there then exists 50 programs all administered differently, thus creating chaos, confusion and a lack of control. The movement of livestock interstate would also be made more difficult and confusing. A greater risk of a state with a good control program receiving animals from a more lax state would cause a deterioration of the program. Uniformity is of paramount value.

The State I represent does not have funding to carry out a vaccination or surveillance program for the control of brucellosis. I believe I can speak for most states of not having this type of funding. If these funding cuts take place, the progress the U.S. has made in the past 30 years will expire because of an ill conceived report by people who have not addressed the facts nor have they considered the consequences.

At this point to consider voluntary control and surveillance of this disease is a bad dream. With low profit or no profit in ranching it is a sure thing the vaccination and surveillance program will be aborted and we will then regress to being made to live with the disease thus creating a threat to animal and human health with even less return to the producer. This impact, again on the rancher, adds another stumbling block to profits. There needs to be a continuation of applied research to the properties of strain 19 vaccine and an exploration of other immunization and identification methods. I do not feel that a voluntary program will support the costs of research.

APHIS of USDA has come a long way in the control of brucellosis. Severe setbacks have developed in the past, however, the program has made a good recovery. To withdraw funding at this time would be another devastating setback and would require great adjustment to offset the loss. To withdraw funding at the time of a transition into new classifications and at a time when there is less incidence of the disease than ever before will very possibly destroy the progress made to this point.

I do support the administrations efforts in reducing spending in government. I do not feel that it is wise to eliminate projects which assist in the production of food and fiber and especially those which are essential to control the spread of disease to our people. By the efforts of research, immunization, control methods and Federal funds, we have eradicated Hog Cholera in the United States but this was not accomplished by fumbling the ball on the 10 yard line.

To keep the program viable the following are some recommendations:

a. Maintain present program and funding.
b. Fund and develop a state/federal coordinating team.
c. Any one or a combination as outlined above.

In your deliberations of OMB's report on this subject please consider some of the facts which they did not add, especially the public health problem which could come back to plague us in the future. Also consider the emasculation of funds with no consideration of any financial support to the states.

I would like to have this letter entered into the hearing record.

Witchweed has been found on 413,361 acres in the Carolinas. There are 274,646 acres presently infested with witchweed. In seven counties, 138,774 acres or 33.6% of the total acreage have been released from quarantine. This program, considering budget limitations and other factors, has been highly successful.

One witchweed plant can produce up to 500,000 microscopic seeds that can be spread easily with movement of equipment and farm commodities. It has a potential for spreading at an explosive rate. If allowed to spread throughout its suspected ecological range in the United States, witchweed would cost farmers an estimated $675 million annually for control plus an estimated 10 percent reduction (approximately $1.6 billion loss annually) in yield of the crops it parasitizes. When it was first identified in North Carolina and South Carolina in 1956, a total loss of corn crop was observed on many of the farms. Research indicated that corn could not be produced on land heavily infested with witchweed unless control measures were taken. The loss to corn and grain crops in South Africa, where parasitic witchweeds are common, is reported to be greater than losses caused by all diseases and insects combined.

The Federal/State cooperative witchweed program has reduced the population of witchweed to the extent that most infested fields have only low-level infestations, and there are few incidences of serious losses in yields. Control measures have so reduced populations in 7 of the 38 counties that no witchweed plants have been found for at least 3 years, and the quarantine has been lifted for these counties.

Since witchweed was discovered, the Animal and Plant Health Inspection Service (APHIS) was instrumental in initiating a Federal/State cooperative survey and a quarantine, control, and eradication program. In 1960, APHIS developed a program for contractors to apply 2,4-D to infested land. The use of contractual services has continued. Control with repeated applications of 2,4-D to prevent witchweed from seeding was a primary management practice during the 1970's. The peak number of aggregate acres sprayed annually with 2,4-D reached approximately 529,000 in 1968. By 1969 APHIS began to release farms from quarantine. An eradication program was initiated on the periphery of the infestation, and 40,000 to 45,000 acres have been in this program since 1975.

In the suppressive and core areas, regulatory demands take precedence in dictating control activities. As much other treatment is accomplished as current funding will allow. Survey and quarantine measures are carried out as necessary to prevent witchweed from spreading.

Over the past several years there has been a drastic decrease in the total acres treated. During the 5 year period starting in 1979, the aggregate treated acreage dropped from 124,494 to a proposed 28,800 in 1982. This reduction in treated acres is associated primarily with the restraints of inflation. Part of the reduction in treated acres is due to technological developments by the APHIS control program.

The witchweed program in the field has proven that the infestation of this parasitic weed can be reduced and contained. This program has resulted in release of 138,774 acres from quarantine. Any reduction in funding of this program could potentially permit witchweed to spread and cause devastating losses in yield of corn, sorghum, and sugarcane. It also will increase the cost of production of these crops. Now is the time to eliminate the only known infestation of this species in the Western Hemisphere.

We request that this committee recommend adequate funding compensated for inflation to maintain the current witchweed program. We also suggest that there is a need for additional funding to permit an extension of the control program leading to the eventual reduction of the infestation to a level that is no longer an economic consideration to American agriculture.

Testimony on Funding for the Federal Noxious Weed Act

Mr. Chairman and members of the Agriculture Appropriations Subcommittee, we appreciate the opportunity to present testimony on the funding of the Federal Noxious Weed Act.

We represent two scientific societies, the Weed Science Society of America and the Southern Weed Science Society, and our testimony is offered on behalf of the two societies, the combined membership of which is about 2800. This membership is entirely scientific and professional and includes most of the scientists knowledgeable of weeds and weed management in the United States.

The Federal Noxious Weed Act of 1974 was signed into law on January 3, 1975. Both societies that we represent recognized the need for this Act, and strongly supported its passage through Congress. Both societies have long been committed to preventive weed control technology.

The Federal Noxious Weed Act of 1974, the Federal Seed Act, State weed laws, and State seed laws constitute the framework around which preventive weed control must be developed. Failure to strongly implement these laws creates a weakness in preventive weed control technology.

Weeds are one of the largest causes of losses in production of food and fiber. It is estimated that weeds cost the American farmer and consumer $9 billion in losses annually and farmers spend about $7 billion annually to control weeds, making a total of $16 billion.

Approximately 60% of the weeds that cause serious losses in the United States are of foreign origin. There are many serious weeds in the world that are not yet present in the United States. The purpose of the Federal Noxious Weed Act is to reduce the chance of these weeds entering the United States and to eliminate incipient infestations. To deal effectively with this problem will require inspection of cargo at ports of entry, survey for exotic weeds, and control, quarantine, and initiation of procedures to eliminate weed species that are now established and localized. This should be done before they become a major economic problem.

The Federal Noxious Weed Act of 1974 has been funded at an average annual rate of $1,230,000 since 1979.. During this time, noxious weed surveys have been conducted in 47 states, and eradication feasibility studies conducted on three noxious weeds: Common Crupina, a rangeland weed that infests and reduces grazing capacity on approximately 26,000 acres in three counties in Idaho; goatsrue, a perennial legume, which is poisonous to livestock and infests approximately 5,000 acres of irrigated pastures and irrigation and drainage ditch-banks in Cache County, Utah; and itchgrass, an aggressive, annual grass pest in sugarcane, soybeans, and other crops in southern Louisiana and southern Florida. In addition, methods development work has been conducted on the control of hydrilla, an extremely serious aquatic weed pest, in agricultural irrigation systems in Florida and California.

As part of the continuing program to implement the Federal Noxious Weed Act, cargo is inspected for noxious weed propagules at major ports of entry of the United States in an effort to reduce the chance of introducing alien weed pests into the country. Funds are needed for surveys and for quarantine, control, or eradication measures on these and other noxious weeds that may slip through the port of entry inspection system before they cause significant economic loss.

A technical committee to evaluate noxious weeds was appointed by the Administrator of APHIS. This committee evaluates weed problems of the world by literature searches, personal experiences associated with travel throughout the world, and cooperation with foreign weed research scientists. From this combined input this committee recommends species to be added to the Federal Noxious Weed List. There are now 25 weeds on the list and a recommendation for adding about 70 more. One third of these weeds occur in the United States as incipient infestations.

Examples of weeds recently discovered that are serious potential pests in the United States are joint salvinia, Salvinia molesta, an aquatic weed that could cause problems equivalent to that of hydrilla in waters of the Southern United States. An additional pest is branched broomrape, Orobanche ramosa, a root parasite on tobacco, tomatoes, sunflowers, and a wide-range of broadleaf plants.

Joint salvinia was discovered in several botanical gardens and is known to have escaped into natural waters. APHIS, in cooperation with the botanical gardens, is in the process of eliminating this plant. APHIS would issue permits for research to assure containment of the plant. It can be replaced with other nonaggressive aquatic plants for aesthetic purposes.

Branched broomrape was discovered on about one acre of roadside near San Antonio, Texas. Steps are being taken to eliminate this parasitic weed before it can spread and cause losses to agriculture.

The Federal Noxious Weed Act of 1974 will assure adequate safeguards through a permit system for exotic weeds used in research; assist States with the eradication of small infestations of exotic weeds that could naturally spread and have a devastating effect on American agriculture; and coordinate nationwide surveys for exotic weeds through herbarium curators, botanical societies, extension, regulatory, and research personnel.

Traditionally, states with noxious weed laws are interested only in weeds that are current problems. It is estimated that there are approximately 800 weed species that are not present in the United States or are present only on limited acreages, and are potentially serious problems to american agriculture. For example, a certain species of dodder, a parasitic plant, grows on soybeans in China. This particular dodder does not occur in the United States. Trade with China is increasing and also scientists in the United States are searching for new germplasm for soybeans and will be exchanging material with scientists in China. Therefore, the chances of introducing this or some other weeds from China is greatly increased. Think of the losses to the American farmer, the soybean industry, and consumers if this species was introduced and became established.

The Weed Science Society of America and the Southern Weed Science Society strongly support funding of the Federal Noxious Weed Act of 1974. This law forms the central focus of preventive weed control technology. It is essential to prevent the escalation of losses from weeds due to reductions in yield of crops and livestock production, as well as the associated increased costs of weed control. A further serious concern with the introduction and rapid spread of noxious weeds pertains to the impact on water used for agriculture, human consumption, recreation, and industrial production.

PREPARED STATEMENT OF JOHN PREVETTE

CHAIRMAN

MID-EAST R. C. & D. COUNCIL

The Resource Conservation & Development Councils of North Carolina do hereby respectfully request this letter be entered into the records and minutes of the hearings for "Agricultural Appropriations Act" by the Sub-committee on Agriculture Rural Development and Related Agencies. The RC&D Councils of North Carolina support and highly recommend that appropriations be increased to 1982 levels of $26 million. Also, we support removal of the phase out language being proposed.

The RC&D program was given a legislative base in the 1981 Farm Bill which the Administration apparently doesn't plan to implement. The proposed reduction in FY-83 budget and talk of terminating RC&D is contrary to Congress's intention of the Farm Bill.

The RC&D Councils of North Carolina have a backlog of work to be completed that is waiting for adequate funding to accomplish. Over 20 projects for erosion control (estimated $682,000) 10 flood prevention and drainage projects (estimated $755,000) and 8 water-based recreation-fish and wildlife development projects (estimated $685,000) are a few examples. The grass roots effort of RC&D people are working to initiate, encourage and support rural development from improving crop production to ensuring good economic conditions for citizens. The major objective of RC&D councils is to work with people to solve their problems. RC&D has been an on-going "people" program since it was established in the 60's.

The program is not just a cost share program, it is a means of self-government by the people. Local people working together to solve local problems.

The RC&D Councils of North Carolina encourage your help in keeping the program alive and active to accomplish the much needed goals of our State.

Thank you for your time and consideration.

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